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Cover: *Courtesy Caterpillar Tractor Co.*

"Caterpillar" Diesel D Tractor with Hyster Arch logging to truck loading.

C. G. Wyckoff, President and Treasurer; Eugene I. Foley, Vice President; Arthur G. Gaines, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. 50 cents, Canada, 55 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

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UNIVERSAL PICTURES

COMPANY, INC.

reports on its progress in providing

ENTERTAINMENT FOR THE MILLIONS

UNIVERSAL PICTURES are entertainment designed for the millions . . . entertainment created to be enjoyed around the globe. Marking a further step in Universal's program to give increasing emphasis to the production of pictures of top entertainment value, the company has further expanded its human resources of creative talent through the addition of a group of outstanding producers and directors.

As Universal makes pictures, Universal *makes* stars . . . developing more and more young actors and actresses in the same manner it developed such Universal stars as delightful Deanna Durbin, lovely Maria Montez, sensational Yvonne DeCarlo, hilarious Abbott & Costello. And the list could go on and on—Donald O'Connor, Turhan Bey, Charles Korvin, Ella Raines, Ann Blyth and Peggy Ryan—a host of talented others. For good entertainment demands good talent. And Universal pictures are built to be good entertainment—to appeal to a vast market.

Something of the size of the motion picture market is indicated by the 90,000,000 to 100,000,000 cash admissions sold at American motion picture box offices each week—a total of 4½ to 5¼ billion cash sales a year in the United States alone.

Universal's policy of constant emphasis on the *most* entertainment for the *most* people results in many different types of pictures. Current and coming Universal releases include such strong star, story and production values as:

Scarlet Street—Edward G. Robinson, Joan Bennett, Dan Duryea

Because of Him—Deanna Durbin, Charles Laughton, Franchot Tone

Night in Paradise—Merle Oberon, Turhan Bey

Little Giant—Abbott & Costello

Tangier—Maria Montez, Robert Paige, Sabu

Canyon Passage—Dana Andrews, Brian Donlevy, Susan Hayward, Patricia Roc

So Goes My Love—Myrna Loy, Don Ameche

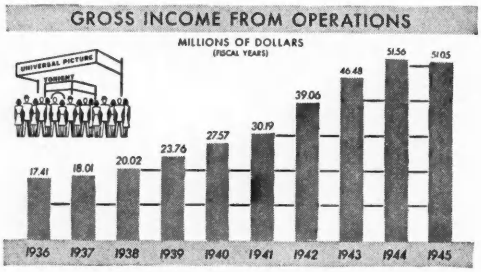
Shahrazad—Yvonne DeCarlo, Jean Pierre Aumont, Brian Donlevy

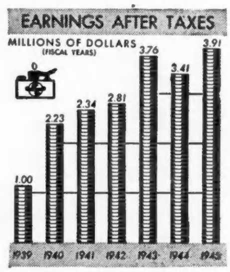
A copy of the Annual Report will be gladly furnished on request to Universal Pictures Company, Inc., Rockefeller Center, New York 20, N. Y.

FINANCIAL PROGRESS

Universal Pictures Company, Inc. today is in the strongest financial condition in its history. It is therefore in a favorable position both to meet the problems of the post-war era and to take advantage of opportunities for growth and expansion along sound lines.

Net profit, in the fiscal year ended November 3, 1945, after provision for Federal income and excess profits taxes of $5,981,000, was $3,910,928, the largest in the history of the company and comparing with $3,412,701 in the preceding year. This net profit was equivalent to $4.86 per share.





Rentals and sales of Universal pictures and other operating income totaled $51,049,428 and compared with the all-time peak of $51,561,504 in the preceding year.

Net working capital attained a new record high of $23,030,555. The ratio of current and working assets to current liabilities was $5.44 to $1 compared with $2.84 to $1 a year ago.

The Board of Directors maintained dividends at the rate of $2 per year, voting four quarterly payments of 50 cents per share.

NEW WORLD-WIDE UNDERTAKINGS

Universal is participating in the formation of a new major American motion picture producing company to be known as International Pictures Corporation. This new company, to be jointly owned by Universal and the Leo Spitz-William Goetz interests, will acquire the story and production assets of International Pictures, Inc. (the present Spitz-Goetz company) which in its first two years of operation produced a number of outstanding hits. It plans to:

1. Produce a minimum of 8 top productions annually for exclusive world-wide distribution through a new Anglo-American distributing organization of which it will be part owner.

2. Establish its headquarters at the Universal studio in California. Universal will make available to it production facilities on a rental basis.

Coincident with the organization of International Pictures, a new world-wide distributing organization to be known as United World Pictures Company, Inc. is being formed. This new company, to be jointly owned by International Pictures (of which Universal will own half) and the J. Arthur Rank interests of Great Britain, plans to:

1. Establish a world-wide selling and distributing organization, which will make use of physical facilities of Universal in this country and abroad, and also of companies in the Rank Group, under lease arrangements.

2. Distribute outstanding American and British films in United States, Great Britain and throughout the rest of the world. It expects to distribute a minimum of 8 American and 8 British pictures of distinction each year, starting September 1, 1946.

Arrangements among Universal, International and United World include the possible acquisition of theatres in key cities of the United States and throughout the world as "show windows" for the exhibition and exploitation of films.

Universal's participation in this new world-wide undertaking should give the company increasing prestige, both in this country and abroad, and there are other important advantages. However, it should be emphasized that the new arrangements will in no way interfere with Universal's plans for increasing its own business, both in this country and abroad.

J. CHEEVER COWDIN,
Chairman of the Board

N. J. BLUMBERG, *President*

THE MAGAZINE OF WALL STREET
C. G. WYCKOFF, *Publisher*

The Trend of Events

LABOR RIVALRY . . . There is a lot more to the current labor strife than the demand for higher wages. Beneath the surface a battle is being waged for high stakes—power, prestige and political affluence. Ranged against each other are the CIO and Philip Murray, on the one side, and the AFL and John L. Lewis, on the other and the strategy which these titans of labor are bringing to their cause is now beginning to unfold.

> **To Our Readers:**
>
> On page 605 you will find a new feature, "Commodity Highlights," in which the latest developments pertinent to major commodities are interpreted. This is the first step in our program for revising the Business Analyst in order to present to the business man an up-to-the-minute compendium of important financial and economic factors.

Philip Murray is banking heavily on the success of the strikes levelled against the steel, automobile, and electrical equipment industries to impress management, workers, and politicians with the strength and solidity of the CIO. It will be the CIO's boast that it obtained for its members the largest increase in hourly pay in the history of United States economy. But this may prove to be a hollow victory—achieved at the cost of millions of dollars in strikers' wages and the loss of considerable public prestige.

Convincing evidence that the public is thoroughly fed up with strikes and the resulting delay in producing much needed consumer goods can be drawn from the recent action in the House of Representatives, when that body, for the first time in several years, passed by a large majority the Case anti-strike bill, a measure to which spokesmen for organized labor were known to be opposed. The House has done this only two or three times since the passage of the Wagner Act, more than ten years ago. The implications are obvious—the mounting number of strikes and the apparent inability of management and labor to agree on any common ground of settlement has goaded Congress into action.

Meanwhile the AFL appears to be making a strong comeback. While the CIO has captured the headlines, the AFL claims to have won wage increases for some 2,500,000 of its members, largely without strikes or running to Washington. This elder labor organization has been putting out some adroit propaganda in behalf of reasonable collective bargaining, taking a more pro-capitalist line. It is particularly noteworthy that Mr. Lewis, on behalf of the UMW has been circulating some striking advertising in the anthracite mining region, warning miners that they must cooperate with mine owners to get much more efficient production of this type of coal if it is not to suffer from competition of oil.

The return of John L. Lewis and his 500,000 United Mine Workers to the AFL fold may well mark a turning point in the affairs of the latter organization, long overshadowed by the more dynamic CIO. Although holding the position of 13th vice-president in the AFL, no one doubts that Mr. Lewis will become the dominant figure in the Federation, whatever his title. He is a shrewd and able leader, militantly independent, and he knows well the weaknesses of the CIO and will exploit them to the limit. Although Mr. Lewis has always been classed as a Republican, he supported Mr. Roosevelt in 1936 and the UMW contributed $500,000 to the New Deal campaign, but in 1940 he supported Mr. Willkie. Whether he will throw the weight of his influence against the present Administration, strongly pro-

CIO, remains to be seen.

Mr. Lewis is never predictable. The present atmosphere of labor strife is one in which he flourishes and when the time is ripe, possibly when the present contract of the United Mine Workers comes up for renewal on April 1, Mr. Lewis will again be on the march under the banner "Reunite Labor."

CAPITAL GAINS TAXES . . . Although capital gains taxes play a relatively minor role in boosting Treasury revenues, annual totals in this category figuring up to only a few hundred million dollars, debate over the pros and cons of this measure has been high.

Recent suggestions of Marriner S. Eccles that the tax as now set up is a contributory factor to inflation have served to spark a new chain of conflicting arguments, centering around the effect of the tax as a stimulus to a further upsurge in share prices. Mr. Eccles contends that if capital gains were to be made fully taxable over a much longer period than the current restricted term of six months, speculative enthusiasm would be checked, gains in share prices would become less expressive and a damper placed upon at least one form of inflation.

Prompt reaction of Emil Schram, president of the New York Stock Exchange, to this pronouncement was a challenge to the premise that stock prices are a leverage in any inflationary trend. To the contrary, holds Mr. Schram, the stock market merely reflects industrial progress and consequently must be regarded as a symptom rather than as a primary cause of inflationary pressures. Rather is it true, continues this line of reasoning, that in seeking basic forces bearing upon inflation sight must focus upon more rational factors, such as a redundant monetary supply, Government debt retirement in place of deficit spending, sensible taxing policies and assurance of equitable relations between labor and management, not to mention encouragement of the profit system.

Quite aside from Mr. Schram's valid analysis of the situation, the part played by the capital gains tax in Mr. Eccle's theory appears to be curiously contradictory. Common sense indicates that if investors were subjected to full taxation on their capital gains for six months or a year longer than under the current regulations, offerings would certainly tend to diminish while the supply of investible funds continued to swell. Under the inflexible laws of demand and supply, accordingly, share prices would rise rather than fall, thus establishing exactly the opposite trend to that which Mr. Eccles would seek to check. Assuredly if his proposal were applied to suppliers of consumer goods rather than to shares he would be the last to make such a suggestion.

LOOSE TALK . . . The people of the United States are better informed on the issues of the day than any other nation in the world. The freedom from official censorship and restrictions enjoyed by our public forums, the press and radio, are traditional. Radio, particularly, has been most energetic in its efforts to present both sides of a controversial issue, leaving it to listeners to form their own opinions Inevitably, however, this privilege of literally airing their views is bound to be abused by some of those to whom it is extended. With possibly several million listeners to check on him, a radio speaker should be able to fully qualify his statements. But whether in the heat of controversy, or deliberately, a lot of misinformation is disseminated via the air waves.

Representative Case of South Dakota recently engaged in a radio debate with Hugh DeLacy, Representative from Washington, on the pros and cons of the anti-strike bill introduced by Mr. Case in the House. During the course of this debate, Mr. DeLacy made several statements which, whether he knew it or not, were rather wide of the truth. He referred to both United States Steel and General Electric as being "owned by the Morgan's." United States Steel has more than 166,000 stockholders, while General Electric has 240,000, which together are more than the population of Mr. DeLacy's home town, Seattle. He remarked that if General Motors did no better than "break even" this year the company would be entitled to a refund of $100 million from the Government. Careful examination of the company's reports in relation to possible tax refunds fails to disclose any basis for such figure. He accused General Electric of withholding radios from the market in an attempt to get a boost in ceiling prices. That is also not true. General Electric was delayed in its production of radio receiving sets because of inability to obtain parts from suppliers who were waiting for a price ruling from the OPA. Mr. DeLacy said that as a result of strikes, national income this year would be lowered $20 billion. This must have been rather startling news to President Truman, who had just previously made no comparable prediction in his annual budget message.

Without impugning Mr. DeLacy's sincerity, we still wish that he had checked his facts more carefully. A little blue pencilling would have helped his case more than the several exaggerations which he broadcast. One misstatement is enough to cast doubt on an entire thesis.

RAISED SIGHTS . . . Despite fully warranted optimism over a coming period of unprecedented prosperity, current chaotic conditions in the labor world are certain to bring some unpleasant reading when first quarter earnings of numerous concerns are released. Furthermore, the interdependence of so many industries for essential materials and parts is so complex, that due to supply problems alone many an enterprise with entirely satisfactory worker relations may show interim earnings in the red, and there is no telling where the lightning may strike.

Confidence that an early settlement of wage-price disputes may lead to a record acceleration of production towards the promised goal has an indubitably strong foundation, and should ease a natural apprehension on the part of investors if near term earnings dip drastically or if dividends are reduced or even temporarily omitted.

All shareholders, however, would be wise to view the picture realistically, and gird themselves for possible temporary disappointments in forthcoming earnings statements. It should also be borne in mind, that even after the strike wave subsides, months may be required before industry can get into its full stride with an adequate supply of a thousand and one essential parts. Consequently, it becomes clear that in appraising potentials for numerous concerns, sights must be raised to allow for longer delays than seemed probable a short while ago.

As I See It!

By Charles Benedict

TODAY'S STRUGGLE

IT IS clear from Stalin's pre-election address that the furious battle raging between the forces of Democracy and Communism is not one of ideology, but a struggle for supremacy by an unscrupulous semi-barbaric government against a state which has produced the highest degree of personal liberty and economic well-being that the world has yet attained.

In the attempt to attribute great genius to his party, his far-fetched listing of economic industrial and agricultural achievements (sufficient, Stalin tried to suggest, to have supplied all Russia's war needs)—it was established beyond a doubt that what many have well known—that Russia is not a Communistic state, but is operating under state capitalism.

"OMINOUS SILHOUETTE"

Duffy in The Baltimore Sun

In fact, Stalin refers to the Russian system as the "Soviet System" and says "that it is a better form of organization for society than any other non-Soviet system." And, he goes further to say boastfully, that despite the claims of his western opponents that the Soviet system was doomed to failure because it was imposed on the people by the Cheka (secret police) he has succeeded magnificently in putting it over. This was the result that Lenin feared when he discovered that Communism was merely an utopian dream. It was at the bottom of his distrust of Stalin.

Although Stalin claimed many things, even including the winning of the war against Germany and Japan alone, he did not claim that during the thirty years of the reign of the Soviet system he had improved the lot of the Russian people much above a subsistence level.

But more than that, the program he outlined will make at least two more generations expendable,—indicating that the Soviet technique of enslaving the masses will continue indefinitely,—at least until the ambitions of the ruling cliques are satisfied. Where this will lead is a question we may well ask ourselves, for Stalin was belligerent and threatening.

The Russian will to rule is so overwhelming that it has become a menace to our civilization. Through well-organized minorities it is creeping forward in all directions. Financed by Moscow, it is used as a strategic instrument to be manipulated in accordance with their needs in the great game of power politics.

These unscrupulous tactics are causing untold suffering, and jeopardizing the peace of the world. Everywhere men fear the ambitions of this state, which has reverted to ancient barbarisms,—sending its emissaries to the peace table surrounded by a wedge of armed retainers,—imprisoning citizens of other states whom they have summoned to the council table on a mission of conciliation as in the case of the Polish delegates,—and murdering the opposition everywhere.

Moreover, there are at least eight million Russian dissenters held in detention camps under the most horrible conditions. While, refugees in the American occupied territories commit suicide rather than return to the Russian zones.

It is tragic to contemplate after all the blood and treasure that has been spent that, at this time, when the world needs compromise and understanding the Russian government still continues to make agreements purely as a matter of convenience without intent to keep them, except as it suits its own convenience. And, on the flimsy excuse of fear of its neighbors encroaches on the sovereignty of the weak powers, continuing to make one demand after another on the various countries unable to defend themselves. How can world peace ever be established under such circumstances?

And that even now, while all the powers are disarming,—actually and spiritually,—"encouraged by Russian propaganda," the Soviet government is feverishly building up its military strength. And with the familiar Soviet technique, the Soviet controlled press and radio are vociferously accusing the United States and Britain of warmongering, and concealing the truth from the Russian people regarding events at the UNO conference in London, where Vishinsky's charges have not been sustained.

It is clear that we must call a halt to further Russian encroachment, and the first step should be a house cleaning in our own country that will eliminate the Russian stooges who are poisoning the air with their propaganda, and stirring up strife among the people that can greatly endanger the rebuilding of our peacetime economy.

It is intolerable that any party taking orders from Moscow as the Communists do should be permitted to elect members of (*Please turn to page* 616)

How Far Can This Market Go?

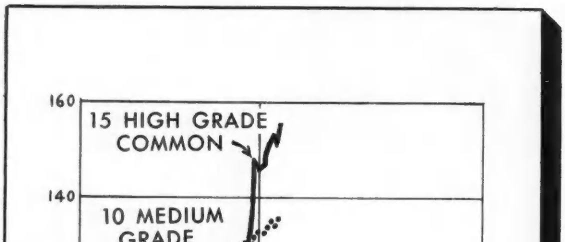
A Study of Underlying Forces vs. Security Values

As we go to press, the market is jittery and somewhat concerned over the details of the new price policy of which announcement is imminent. There are some disturbing speculative symptoms, although the long-term factors appears to remain bullish. Our policy continues conservative and highly selective.

By A. T. Miller

AFTER a good many days of it, the game of trying to guess what the Administration's revised price line might be—and whether OPA's tough-minded Mr. Chester Bowles would come out of the inner-circle disagreement with more or less to say about policy—got on the market's nerves toward the end of the past week. Prices declined fairly sharply in points, uncovering some air pockets here and there, but not by more than a moderate percentage in the averages as yet. Nor has volume on the setback attained proportions suggestive of a broad liquidating movement.

Rarely has the news on any key issue of domestic economic policy been more confused and confusing. Just a fortnight ago came word, over the week-end, that Ford and Chrysler had settled the UAW wage demands, apparently with some assurance of a *quid pro quo* as regards union responsibility and the productivity of the workers. The market opened with a wide upward "gap" and shoved on to new highs, with volume soaring over the 3,000,000-share level. It was taken for granted that the pattern had been set for imminent settlement of the steel strike and of the protracted General Motors stoppage.



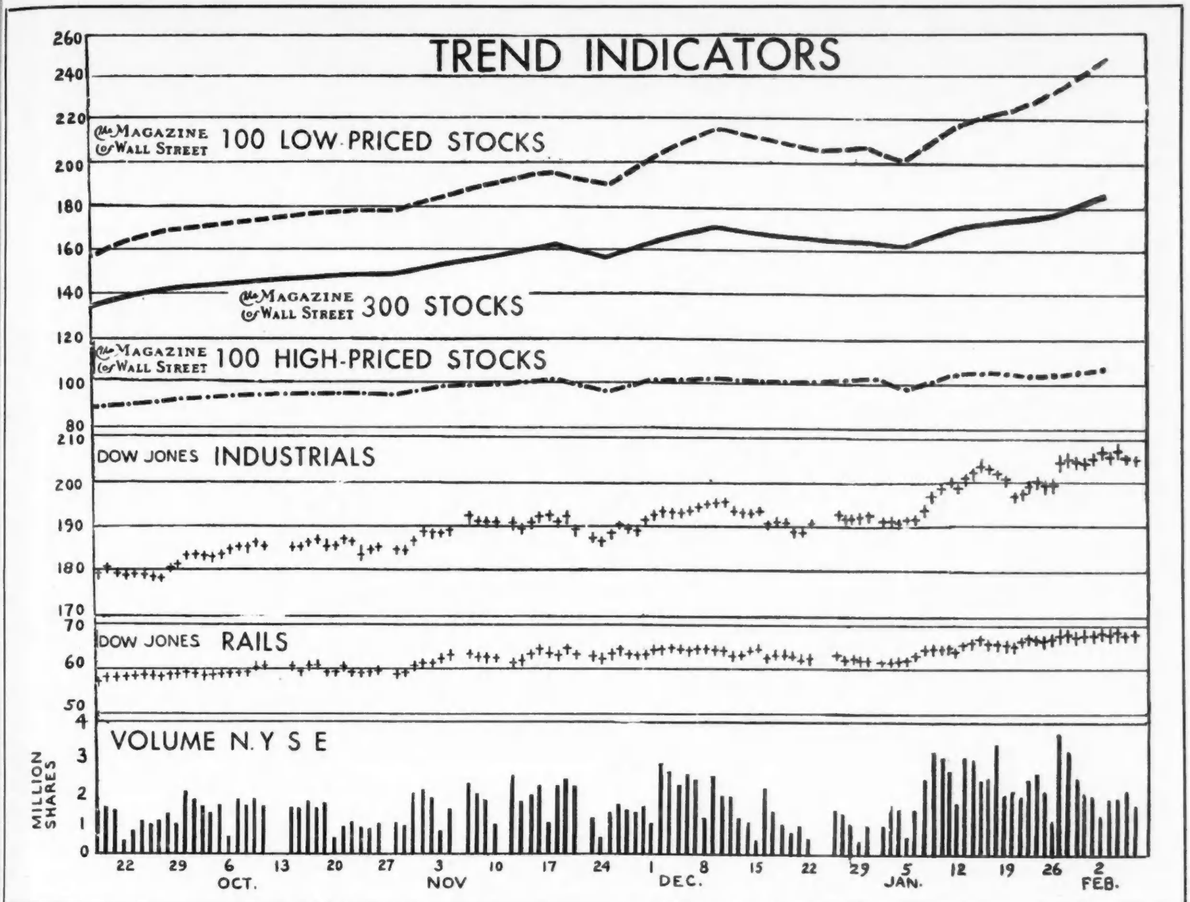
However, that assumption proved wrong; and it was quickly realized that the big news had to center around steel. The reason is clear. First, as even the union chiefs privately admit, this industry could not possibly accept Mr. Truman's wage proposal without a sizable price increase. Second, the scope of the price increase had become a critical issue for the Administration, necessarily affecting costs in all steel-using industries.

Throughout last week the newspapers were replete with "dope" stories and rumors about how much the price of steel would be boosted, and about a new "stabilization line," but only time will tell what actually was going on behind scenes among Mr. Truman's divided advisers. There is excellent reason to believe that a decision, chiefly framed by Reconversion Director Snyder, was almost "in the bag" at mid-week, providing for an immediate rise of about \$5.50 a ton in average steel prices; a further increase around \$3 a ton in about three months; and sizable increases for all industry pretty much across the board. Washington economists even had it figured out that the change in policy would result in increasing the cost of living by 7% to 8%. A collateral part of the decision, according to the best available information, was that the major labor unions were to agree not to make additional wage demands for a full year.

Then some snags developed. Certain CIO unions frowned on a formula whereby they would patently have to take the onus for increasing the general cost of living—although that will be the fact, whatever language the Administration may finally wrap its new policy in. On the other hand, the A. F. of L. did not wish to tie its hands on wages for a year. And Mr. Bowles turned on more heat, with the apparent support of Secretaries Vinson and Byrnes.

As this analysis is written, the story out of Washington is that the steel strike is virtually settled, but that the finishing touches on the statement of price policy may take another day or two. It is also indicated, unless Mr. Truman has still another change of mind, that Bowles will come out of the tussle with more influence in all matters relating to price control—which would necessarily include wage policy—and Mr. Snyder with less.

It would be foolish to try to guess the near-term market repercussions of these developments. We can not be sure just what the new policy means until it is officially revealed in full, and the details may be



more important, in practical effect, than the generalities. However, in the minds of a great many investors, Mr. Bowles means "trouble." Mr. Bowles, judging by the past record of OPA, means small, slow and grudging price relief, even where the facts justify something better. Also, Mr. Bowles, again judging by the OPA record, means profit squeeze in a number of industries.

Of course, it may be possible that the market can read an "inflationary" twist into the coming official revelation. But we would not bank on that. If it proves true that Mr. Bowles—and the whole concept of extended wartime controls—has won a victory, we would not be surprised to see the present correction go quite a bit further, although we still believe that long-pull prospects remain bullish.

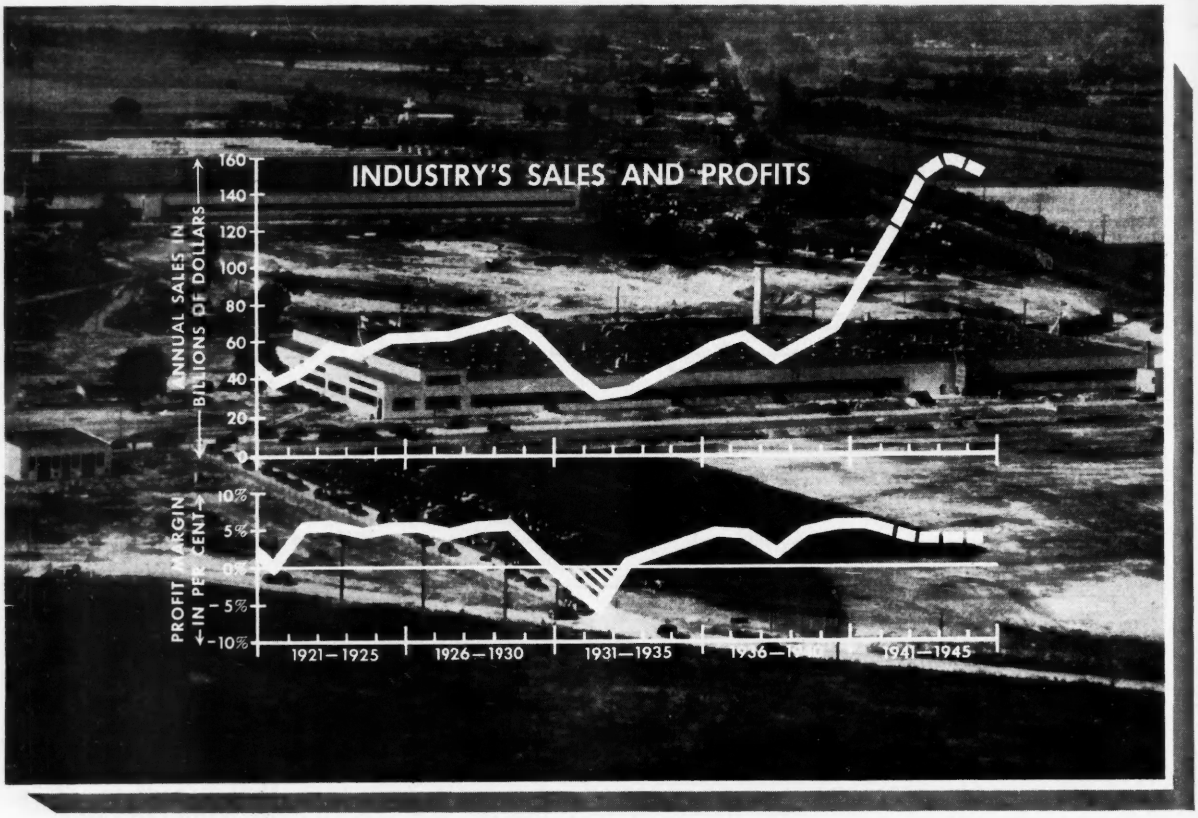
Meanwhile, there is food for thought in some of the recent market "incidents." Poor earnings news sent Philip Morris down 29% in about a week; and similar news tumbled Atlantic Refining 19%. An omitted dividend dropped Dresser Industries 21% from its high. National Distillers, along with other liquors, has had a wide decline, aggravated by renewed restrictions on use of wheat. The air line stocks have faded away greatly from their highs, on insignificant volume. None of these stocks is abnormally thin. On the contrary, all have large share capitalizations, and showed above-average activity while they were rising. They illustrate that "potential thinness" exist in the market. In that respect, despite the abolition of margin trading, the market has become more, rather than less, speculative.

It can not be forced down by margin calls, but do not let that lull you into a false sense of security. When something happens to change sentiment on given stocks, as heretofore cited, they can plummet just about as fast—if not faster—as was ever the case in margin-markets. There will be a number of poor earnings reports for the first quarter, along with some good ones. More important, in some lines—for instance automobiles—the profit outlook for the whole year has deteriorated considerably; and in others the 1946 earnings are becoming more, rather than less, difficult to estimate with accuracy.

There is another thing. Even though they put up cash, there are probably about as many uninformed small-fry speculators in this market as there were in 1929. You see the effects in absurd prices for dozens of "cats and dogs."

True, the money supply remains basically bullish. Yields on top-grade long term bonds are falling sensationally. Selected stocks still offer a far greater return, plus reasonably clear prospects, in many instances, of sharply higher dividends over the next year or two. Hence, our policy remains middle-of-the-road. Under it, elsewhere in our issues, we will continue to advise avoiding, or taking profits in, some stocks, purchases of others. To the extent that this can be generalized, it is to hold sizable positions in carefully selected issues, with some insurance in the form of conservative cash reserves where the object is speculative or semi-speculative appreciation rather than stable-income return.

—Monday, February 11.



Robert Yarnall Richie

AMERICAN INDUSTRY

...Under Accelerating Competition

by *Ward Gates*

THE transition in American industry now taking place from a wartime to peacetime basis suggests the accelerating competition to be expected as soon as current wage and price problems are settled and the flow of postwar civilian products gets under way. Competition in the usual sense largely disappeared during the war, and there continues to be a sellers' market in many industries where production is curtailed, orders booked up for months ahead, and prices holding firm. As soon as more manpower and materials become available, however, the condition may change rapidly to one where real efforts will again be needed to maintain sales, and where considerations of price, style, quality, and selling terms will again govern.

Intensified postwar competition may result from several factors, chief of which are the overall expansion in industrial plant and equipment during the war, the shift of many large companies into new lines of business, the rapid growth of smaller companies which successfully turned out huge war contracts, the substantial building up of working capital, the introduction during the war years of many new products, the development of new talents for engineering and design, and the improvement in manufacturing skills and processes.

Sales of all manufacturing corporations in the United States, numbering about 82,000, increased according to the Treasury Department "Statistics of Income" from approximately $58 billion in 1939 to $119 billion in 1942, the latest year for which official figures are available. It is estimated, on the basis of published reports of leading corporations, that sales reached a peak of over $150 billion in 1944, then tapered off moderately in 1945 with the ending of the war. As a result of this great expansion of sales, there was a sharp rise in operating income, much of which was drained off by the heavy corporate income and excess profits taxes. Following the year 1941, net income after taxes declined in relation to sales, and then flattened out, as shown in the chart at the top of this page.

These composite figures, of course, show only general trends, and include both companies having net earnings and those having deficits. It is common knowledge that in the case of most of the large industrial corporations, whose production was the backbone of the country's entire program of war materials, there was a substantial decline in wartime earnings as compared with 1940-41. At the same time, in the case of many thousands of small

Comparison of 1939 and 1944 Sales of 23 Manufacturers of Electrical and Radio Equipment Whose Statements Have Become Publicly Available for the First Time During the Past Two Years

(In Thousands of Dollars)

	1939-a	1944-b
Admiral Corporation	$4,212	$42,122
Aerovox Corporation	1,099	9,680
Aircraft Radio Corp.	1,072	19,878
Allied Control Co., Inc.	7	4,245
Collins Radio Co.	504	47,311
Electronic Corp. of America	246	5,423
Electronic Laboratories, Inc.	71	5,739
Finch Telecommunications, Inc.	211	2,210
Hallicrafters Co.	866	35,943
Hamilton Radio Corp.	159	6,788
International Resistance Co.	1,178	11,289
Hytron Radio & Electronics Co.	817	5,264
Jefferson-Travis Co.	c	1,394
Kerite Company	1,685	2,893
Lear, Inc.	913	36,827
Muter Co.	1,240	2,462
Oak Manufacturing Co.	2,515	13,779
Reeves Ely Laboratories, Inc.	c	10,920
Scott Radio Laboratories, Inc.	620	6,119
Sentinel Radio Corp.	1,504	11,814
Sprague Electric Co.	2,253	20,585
Webster-Chicago Corp.	c	5,483
Wells-Gardner & Co.	4,235	20,540

a—Or earliest available year in the 1940s.
b—Fiscal year 1945 in some cases.
c—Not available.

and privately-held companies, whose facilities were called upon to help meet the unprecedented war demands, there was a sharp increase in earnings from the former marginal or deficit levels.

A concrete illustration of extraordinary expansion of plant capacity, employment, and production is afforded by the electrical equipment and radio industry. A countless variety of new and complicated equipment—much of it types never before manufactured—was needed by the armed forces, and the demands upon the industry were almost unbelievable. To meet this demand, all of the large manufacturers expanded their production greatly, but many of the small and newly-established companies in the industry multiplied their production over and over again.

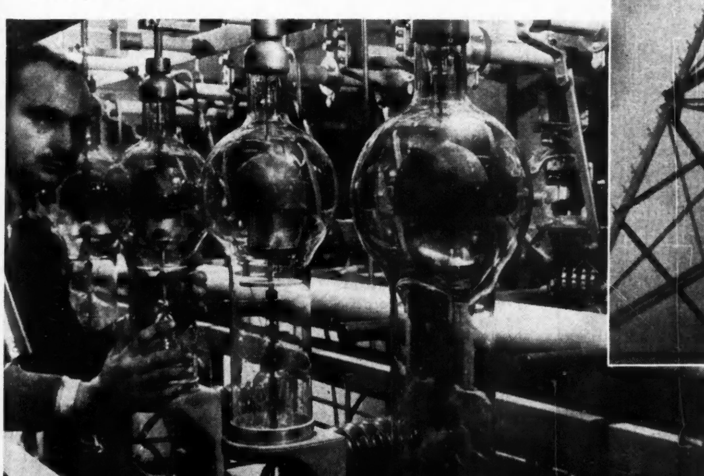
The accompanying list gives a comparison of the 1939 and 1944 sales of 23 manufacturers of electrical and radio equipment whose statements have become publicly available for the first time during the past two years. In most cases, these were closely-held concerns, previously unknown to the investment market, which published figures in connection with S. E. C. registration statements revealing the surprising volume of business built up.

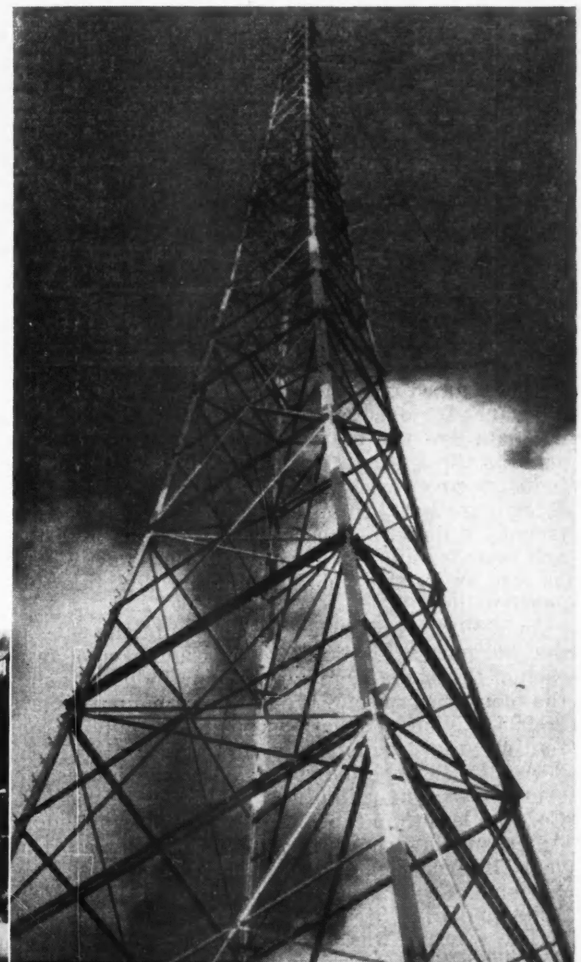
For the 20 electrical and radio manufacturers in this list for which comparable figures are available, average sales volume expanded from approximately $1,270,000 in 1939 to $15,545,000 in 1944, or by more than twelvefold.

Undoubtedly most of these companies plan to make a permanent place for themselves in the postwar market. They are accustomed to doing a large volume of business, own modern plants and equipment, have capable engineering talent and a large staff of technically trained employes, and hold substantial working capital built up during the war.

This suggests the intense competition in the electrical, electronics, radio, radar, television and other

Westinghouse





Gendreau

The dynamic electronics industry has attracted many new enterprises, with increasing competitive vigor.

branches of the industry, as soon as the current trickle of production becomes a great outpouring. Moreover, the list comprises only a minute sample of this vast industry, being limited to companies that happened to begin publication of statements since January 1, 1944. Particularly not to be overlooked is the formidable competition certain to come from such companies already established strongly in the radio industry as R.C.A., General Electric, Westinghouse, Western Electric, Stromberg-Carlson, Philco, Zenith, Emerson, Farnsworth, Crosley, Magnavox, and others. This illustration from the electrical and electronics industry is typical of what has occurred also in a great many other manufacturing industries. During and since the war large numbers of companies greatly expanded their plants and facilities, introduced an almost countless variety of new products, and entered into new and untried lines of business. The effects of this new competition may not, of course, be immediately apparent, for the reason that during the next couple of years there may be plenty of business for everybody. When the accumulated backlog of deferred demand has been cut away, however, and competition for the consumer's dollar becomes more intense, it is not unlikely that shaving of prices may in many cases lead once again to a condition of "profitless prosperity"—in which there is a huge volume of production and sales, but lack of adequate net earnings. Most of the major industries depend for their earnings upon a large turnover at comparatively narrow margins of profit, and usually these margins do not afford much leeway for absorbing either a rise in operating costs or a reduction in selling prices.

Appraising Profit Margins

In the attempt to appraise the postwar prospects of industry, estimates are often made by taking average profit margins before the war, applying these to an assumed postwar volume of sales, and making allowance for differences in tax rates. While historical data are useful for indicating general trends, such as the average margins of the manufacturing industry covering a period of years, as shown in the foregoing chart, their value is limited by the extremely wide variation between different industries, and between similar companies in the same industry, as well as by the wide fluctuations that take place continually.

In 1939, for example, a tabulation of the sales and net income (after taxes) of a leading company in each of thirty major manufacturing industries shows that combined sales of the group were approximately $6.995 million and net income $592 million, representing an average margin of 8.5 per cent.

Analysis of the individual company figures, however, shows a margin of but 1.4 per cent for Swift & Co., and less than 5 per cent for American Radiator, American Sugar, American Woolen, Glidden, Goodyear, International Harvester, International Paper, National Cash Register, National Dairy, Pacific Mills, and U. S. Steel.

The average was between 5 and 10 per cent for American Can, American Viscose, Colgate, Electric Auto-Lite, International Shoe, Schenley, and Socony-Vacuum, and between 10 and 15 per cent for American Tobacco, General Electric, General Foods, General Motors, National Biscuit, Owens-Illinois, and Procter & Gamble. A margin of over 15 per cent was reported by Coca Cola, Eastman Kodak, Union Carbide, and United Aircraft.

Although the earnings of this group of nationally-known organizations are regarded as relatively stable, analysis of the figures for 1938—also a prewar year—would yield quite a different set of ratios. Combined net income of the group in 1938 was $362 million, or only 61 per cent of the 1939 level, and net deficits were reported by one out of every five of these industrial giants (American Radiator, American Viscose, American Woolen, Pacific Mills, Swift, and U. S. Steel)!

In view of the sweeping changes that have taken place in American industry during the war years it would seem that prewar profit margins are extremely tenuous measures upon which to base forecasts of postwar earnings. There are, in fact, many factors suggesting that operating margins in 1946-47, excluding the distorting effects of special adjustments in taxes and in reserves, will in most cases be squeezed, and that a materially increased volume of business over prewar may be necessary to produce the same dollar net income.

In the conversion to war production, a large segment of the metal-working industry, including automobiles, railway equipment and other important branches, was virtually scrapped, but is now being rebuilt with more modern plants and improved machinery in many cases. During the war practically all of these companies devoted attention to postwar planning, and carried on active research and development work. Since V-J day the newspapers and periodicals have reported literally thousands of news items about companies that have announced the introduction of new products or the entrance into new fields.

This publicity has tended, with some justification, to create the impression that the shifts now being considered or already made into new lines are concentrated in the field of household appliances—vacuum cleaners, washing machines, irons and iron-

Percentage of Net Income after Taxes to Sales of 30 Leading Manufacturing Corporations in 1939

Swift & Co.	1.4
Pacific Mills	1.7
American Sugar Refining Co.	2.6
American Woolen Co.	3.6
Glidden Company	3.9
National Dairy Products Corp.	3.9
International Paper Co.	4.0
American Radiator & Standard Sanitary Co.	4.1
National Cash Register Co.	4.5
U. S. Steel Corp.	4.6
Goodyear Tire & Rubber Co.	4.9
International Harvester Co.	4.9
Schenley Distillers Corp.	5.6
Colgate-Palmolive-Peet Co.	6.5
Socony-Vacuum Oil Co.	7.0
International Shoe Co.	7.4
American Viscose Corp.	7.5
American Can Co.	9.7
Electric Auto-Lite Co.	10.0
American Tobacco Co.	10.1
Owens-Illinois Glass Co.	10.3
General Foods Corp.	10.4
Procter & Gamble Co.	12.0
National Biscuit Co.	12.6
General Motors Corp.	13.3
General Electric Co.	13.5
Eastman Kodak Co.	15.3
United Aircraft Corp.	18.0
Union Carbide & Carbon Corp.	19.1
Coca Cola Co.	31.0

Consumer durable goods have attracted many new manufacturers; sellers' competition will be intense in 1947-48 and profit margin and earnings may suffer.

ers, toasters, food mixers, dishwashers, refrigerators, quick-freeze units, ranges, grills, heaters, kitchen cabinets, sinks and the like. A survey just announced by Westinghouse Electric placed the electric appliance demand at $4.5 billion annually for the next five years.

Experience has repeatedly demonstrated, however, that it is often easier to manufacture such products than to sell them. The past success of many enterprises in this field has in fact been due, not so much to better quality or lower price of the product, but to superior ability and drive in sales and distribution.

For this reason, in considering the relative postwar prospects of competing companies, a definite advantage may be with those manufacturers which have built up and maintained strong and satisfied dealer organizations. This may prove particularly true in the case of products requiring periodic servicing and repairs, where the buyer realizes that to obtain long and satisfactory operation of the appliance he should have a local service agency that is experienced and efficient, conveniently located, and reasonable in its charges. As is notable in other industries also, a nationwide sales and service organization, and a popular trade name built up over a period of years, may be worth far more than all of its tangible assets in the form of plant, equipment, investments, and current assets.

While national advertising, when well directed and generously applied, may be all that is needed to sell certain products, of the type that can be retailed through a "vending machine," other types of products may require a high degree of personal sales effort and training. Among competing manufacturers of relatively costly and complicated articles, the advantages may lie with that company which best supports its dealer organization through training schools, local advertising, store displays, free demonstrations, low-cost financing, and other selling aids.

Perhaps the most debatable question of all in appraising postwar prospects of industrial companies is that of earnings, since this is most difficult to forecast accurately while industry is undergoing sweeping changes in its transition to a peacetime basis. As suggested above in the comparison of 1939 profit margins, the net income in 1946-47 that will remain after charges is a comparatively narrow "residual" that will be subject to even more influences than would be true in a more normal setting.

Competitive Battle Looms

In the case of companies—such as the great aircraft manufacturers—that expanded tremendously during the war and now must turn to other lines of business to find uses for their excess plant capacity and working capital, it is anybody's guess what earnings may be in future years. At the other extreme are many old-established companies, with large backlogs of demand for the same type of products as made in the past, where ways may well be found to offset the rising labor and other costs by greater productivity of workers, labor-saving machinery, and reduced overhead and distribution expense, as well as by an expanded volume of sales.

Nevertheless, in many major industrial fields a competitive battle of unparalleled scope and intensity is in the making, as a consequence of which the marginal and high-cost producers will be among the first to suffer. Even the big companies, while not likely to be casualties, will not be immune from the pressure of these important factors which may affect adversely their earnings and their dividends. For this reason, it behooves the careful investor interested in such companies to watch closely the changing tides in this fierce battle of industrial competition that will soon be getting under way.

Tax Cushions vs 18-18½¢ Wage Increases

Tax Reduction Bill Signed by Truman

Cuts $5,920,000,000 From Corporate and Individual Levies Next Year

WASHINGTON, Nov. 9 (AP) — The White House announced today that President Truman has signed the bill lopping an estimated $5,920,000,000 off the total of taxes that will be paid by individuals and corporations next year.

It will be the first general tax reduction since 1929, when Presi-

$6.25 TON STEEL RISE NEEDED FOR PAY GAIN OF 18½C, OLDS SAYS

Chairman of U. S. Steel Board Says Company Cannot Make Deal on Any Other Basis

'FORCED-UP' LEVELS HIT

By Henry L. Blackburn

AS THE devastating white heat of strike waves spreads throughout the nation, the average investor is exposed to counter barrages of claims from which he must choose in forming perhaps newly acquired economic concepts. Already the aspect of mounting wage costs and the battle for continued price controls offhand assures a squeeze upon profit margins in nearly every industry, and so complex are these interrelated factors that an attempt to appraise their potential impact rationally would be a hopeless undertaking. So much, however, has been claimed for the alleviating effect of tax cushions, that even a broadly conceived discussion of this element should be of interest to investors, especially if narrowed down to the basic industry, Steel.

The current violent interruption of the transitional program towards meeting an unprecedented deferred demand for every conceivable form of peacetime goods, many of which require steel in some form or other, is based upon fallacious claims that under theoretically ideal conditions many months ahead, profits of the steel makers will amply suffice to warrant an 18½ cents per hour immediate wage increase, and that in the interim tax relief could importantly offset the rise in costs, without a compensating advance in steel prices to carry part of the burden. Regardless of the inflationary implications created by such a premise, even if accepted as valid. Washington has seen fit to back up the idea advanced by union labor, and settlement of the dispute apparently hinges upon how much additional inflationary ammunition Mr. Truman will consent to grant through a rise in prices. All of this despite universal agreement that the outstanding danger to the economy is inflation, and earlier public pronouncements of the President that as yet labor cannot expect to hold the wage levels attained under the peak stimulus of wartime production. Come what may, potential tax relief is an uncertain crutch upon which to lean, for its benefits not only will vary broadly with individual steel manufacturers, but it is also almost impossible for the keenest company analyst to ascertain what his future profit margins will be under unpredictable conditions. If settlement of the current price-wage dispute establishes a pattern which all units in the industry, large and small, must follow, collateral confusion will immediately flare up over rising costs of semi-finished steel sold to non-integrated fabricators and of innumerable materials which the large suppliers of these are obliged to acquire themselves. Time—considerable time—will be required to straighten out the situation for practical estimates of pre-tax earnings from which to figure the factor of taxation in its kaleidoscopic dimensions.

All said, it is inadvisable to scan income reports of recent periods or years as a basis for 1946 hopeful predictions from the tax angle, other than to note whether this or that concern had to pay excess profits taxes during the last two years. As United States Steel, for example, paid no EPT taxes at all in either 1944 or 1945, this leader will stand to gain nothing by the current elimination of this tax. If the company, however, should actually operate at a loss in the current year it can, through the "carry back" privilege of the law, claim a refund of normal and surtaxes paid during the past two years in order to average up its tax contributions to the war effort, through the anticipated difficult period of reconversion. Such a provision was wisely included in the law by Congress prior to the outbreak of war, and of course in no sense constitutes a Government guar-

anty of profits, as falsely claimed by some union officials. As the company claims, it stands to gain nothing from tax refunds in 1946, although labor and the Government insist that it shoulder the burden of $100 million in additional wage payments. And if a partial easing of possible losses became possible, the alleviation would be temporary and restricted.

Accelerated amortization of war plants, which ceased at the end of 1945, did result in 1945 tax savings spread over previous years, amounting to $78.1 million and left an additional $35.5 million which were charged to reserves for war costs. These legal and helpful supports to past earnings, however, constitute a non-recurring item which hereafter will not be available to offset rising wage costs.

Confused Estimates

To use past yardsticks of the number of employees at work in past years and the size of company payrolls in relation to potential tax benefits also serves to create more or less of a Chinese puzzle. Again taking Big Steel as an illustration, this concern in 1944 had 314,888 employees on its payroll receiving a total of $914,341,158 in wages, an average rate of $1.257 per hour being paid for an average 44.2 hour work week. During 1945, however, 279,274 workers were paid a total of about $785 million, overtime was largely eliminated and average weekly hours dropped to well below 40. Granted that the industry in the coming boom operates at 80% of capacity it would take more than a Philadelphia lawyer to estimate the prospective payroll with the leverage of an 18½ cents per hour pay boost, for efficiency goals are undeterminable and the impact of rising wage costs will vary widely in the numerous segments of steel production. It is natural confusion over this subject which has given a headache to Government, labor and management alike, and while it is known that U.S. Steel will have 2% less normal and surtaxes to pay in 1946, only time can establish the dollar totals involved.

Among many concerns in the steel industry which do enjoy a substantial tax cushion is Bethlehem Steel Corporation, 1945 preliminary statement of which has now been released. Here again, as in the case of Big Steel, adjustment to peacetime conditions has broadly affected its labor statistics. In the fourth quarter of last year, as against the fourth quarter of 1944, relative figures as follows appear—number of employees down to 154,768 compared with 239,765—payroll about $101 million against $204 million—average hourly pay $1.374 compared with $1.41—hours per week 36.4 against 45.9. After numerous bookkeeping adjustments, including a third quarter credit of approximately $34.9 million for accelerated amortization of war facilities, net profits for the year almost exactly equaled the credit mentioned, appearing as $34.947 million. But in 1946 and following years no cushion from this source will enter the picture.

While available figures do not disclose Bethlehem's excess profits taxes paid in 1945, total Federal and state taxes paid came to only $12.2 million compared with $112 million during 1944, and it is safe to assume that aside from the amortization credit, EPT provided a substantial cushion during a period of major decline in operations, especially in the ship-building division. In weighing the above figures in connection with prospective wage increases it will be noted that under different operating conditions sharp variations in EPT payments have already occurred; thus to measure tax relief in 1946, under entirely new conditions would be a very difficult procedure, and however heavy the prospective cushion may be, allowance must always be made for 38% normal and surtaxes applicable to the gross savings achieved. The only conservative conclusion to make in the case of Bethlehem is that if taxable profits prove comparable to those of any recent year, elimination of EPT of course will create correspondingly wider profit margins, if wages increases have not already absorbed the advantage. Otherwise it is illogical to view either the $90 million EPT paid by bethlehem in 1944 or the much smaller amount paid in 1945 as an estimate of the 1946 tax cushion, but under normal conditions tax savings could importantly offset the $40 million wage increase which may burden the company.

The Steel Industry As A Whole

The same comments apply to the industry as a whole. Some 59 of the largest steel concerns and their affiliates in 1944 paid excess profits taxes (less postwar refunds) totaling about $183.8 million compared with final net income of $178 million available for dividends, and after wage payments of $2.2 billion. Had EPT payments been passed on to the workers instead of to the Gov- *(Please turn to page 607)*

Production and Payrolls of the Steel Industry

	1944	1943
Production and Shipments:		
Shipments of finished steel products (net tons)	59,680,156	59,108,677
Ingot production (net tons)	81,777,869	81,203,728
Labor (domestic employees only):		
Number of employees:		
Average monthly number of employees receiving wages and salaries during the year:		
Receiving wages	748,899	815,088
Receiving salaries	120,594	121,498
Total employees	869,493	936,586
Man hours worked during the year:		
Receiving wages	1,761,121,867	1,842,195,374
Receiving salaries	280,341,393	274,976,365
Total hours	2,041,463,260	2,117,171,739
Total annual payroll:		
(For current fiscal year)		
Wage workers	$2,220,501,958	$2,189,065,349
Salaried workers	415,827,997	392,479,957
Total	$2,636,329,955	$2,581,545,306
(For prior year)		
Wage workers	4,496,235	1,003,054
Salaried workers	128,175	54,360
Total payroll	$2,640,954,365	$2,582,602,720
Portion of payroll included above, but charged to construction or other non-operating accounts	23,630,554	31,559,791

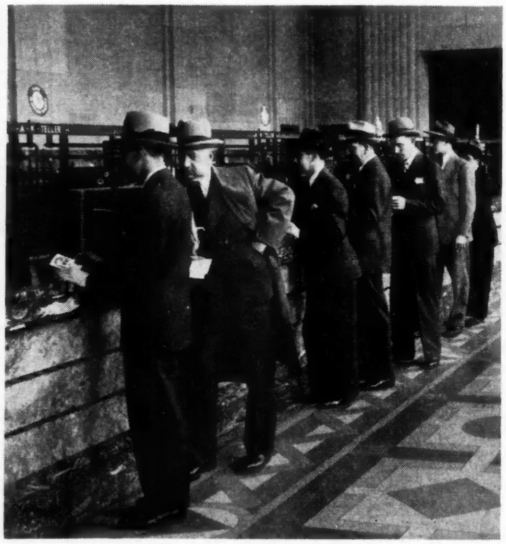
Source: American Iron and Steel Institute. The above information covers the consolidated organization results of 59 companies.

BANK STOCKS IN 1946

Anticipating Shifts in Earnings, Assets and Potentials

by H. S. Coffin

ANNUAL REPORTS of the banks for the year ended December 31, 1945 make good reading for their shareholders, additionally tending to confirm earlier optimistic appraisals of this investment medium made by The Magazine of Wall Street. Marked and continued upping of bids for leading bank shares in recent weeks reflects growing public recognition of certain fundamentals which strengthen the investment appeal of stocks in this classification. As transition from war to peacetime operations may induce some changes in banking practice and policies, it is constructive to study how the banks have fared and to examine their medium term potentials.



Keystone

Bank deposits are at record high levels.

Merely because bank stocks are not listed on the major exchanges is no valid reason for their exclusion from conservative portfolios or from those of modest size. True, shares of this character usually are held for long term investment, so that scanty offerings make for a rather thin market and often enforce considerable "reaching" in order to effect purchases, but in New York at least, transactions are readily made through recognized specialists whose quotations are entirely reliable. And contrary to common opinion that bank shares generally are strictly a rich man's investment, their distribution in relatively small amounts has become increasingly expressive. Even such a high priced stock as that of the Guaranty Trust Co. of New York, selling around $370 per share, is held by over 24,000 owners, 23,000 of whom hold 100 shares or less and 5,632 have less than five shares. Similar broad ownership of bank shares in small odd lots is characteristic of many of the other institutions in Manhattan, in many cases facilitated by a relatively low price structure for their shares. For example, average holdings of Bankers Trust Co. shares, currently priced around 55, are only some 150 shares each.

As the banks emerge into the 1946 period on the heels of a previous year marked by an upsurge in deposits and generally increased earnings, new factors with interesting implications arise. While proceeds of two Victory Loans were responsible for the major gains in deposits during the last year, no such circumstance will cause a repetition of the process in 1946, or for that matter in following years of peace, provided the end of Government deficit spending really is in sight. On the other hand general expansion throughout the country of the wage and price structure will tend to increase deposits, barring an unlikely trend on the part of individuals to hide their savings in the family mattress. Deposit gains thus far achieved accordingly should be well retained, although important shifts from bank to bank and from one section to another in the nation must be anticipated. As last year's deposit rise was gradual, indeed most emphatic during the final quarter, comparative earnings assets of the bank in the coming year, if well held, should benefit from a full twelve months use at the higher level.

With about 70% of their lendable funds invested in Government securities, the larger banks enjoy a status as near riskless as they are likely to ever reach, and with earnings assets at an unprecedented height in relation to capital invested, a prolonged era of low money rates should sustain earnings on a very satisfactory basis. The completely changed position of the banks due to war financing, with deposits swollen and unlikely to shrink, has paved the way for new lending policies which in prewar would have been considered radical indeed. For a generation prior to Pearl Harbor, desirable liquidity could only be achieved by the employment of earnings assets mainly in short term commercial loans running from 90 days to six months maturity. Under current conditions it seems entirely conservative to invest around 55% of available resources in longer term loans, and at VJ Day short term commercial borrowing had dropped to about 15%.

Following the cessation of hostilities, however, borrowing by industry for reconversion needs and for inventory building sharply increased, a trend which should continue in a broad way to feature 1946

progress. While interest rates on this class of business are at record low levels, they are higher of course than on Government loans and should tend to expand bank earnings accordingly. This is particularly true where the industrial borrowing takes the form of term loans running from five to ten years, for interest rates are much higher as the maturity date extends. It has been established beyond doubt that carefully selected term risks such as these are both safe and profitable, because the periodic payment of installments steadily reduces the initial hazard.

Now that peacetime conditions have returned, considerable weight will be given to a program for refinancing the Government debt on a permanent basis. To hold the interest burden of financing the war down to minimum levels, Washington has leaned heavily on the banks for the bulk of its requirements by the use of more than a hundred different kinds of bills, notes and whatnots maturing at short, medium and relatively near dates. Policies of the big banks vary widely in the proportions of long and short maturities carried, with consequent effect upon earnings, for of course the longer term issues are more profitable. The big question ahead is what steps the Government will take to consolidate its debts most economically, without continued recourse to replacements with short maturities merely to shave the rate. The problem is interesting because if further new issues of Government securities to cover deficits are no longer needed, bank holdings could gradually find buyers in the public if rate and maturity could be made attractive. But in the near range, the banks will have to absorb a substantial amount of industrial holdings plus what E bonds are cashed in by private owners.

Earnings potentials for 1946 of the larger New York banks are enhanced by prospective expansion of foreign trade, financing of which normally contributes substantially to the income of these institutions, especially when they maintain branches abroad, as in the case of the National City Bank and the Chase. While progress in this field currently is slow, pending settlements of international credit arrangements, a definite upward trend has already set in and is certain to continue. After the strike wave abates and the economy settles down to a period of intense activity, opportunities of the banks to increase revenues through numerous service charges should be very clear. With few exceptions, the large institutions now encourage the opening of small accounts which in the aggregate create substantial earnings potentials. To offset handling costs where average balances are small, activity and inactivity charges or the sale of blank checks at ten cents apiece can run into quite sizable sums when accounts become numerically large. The trust departments, also, have become increasingly popular and in an expanding economy are likely to experience an uptrend in revenues.

Among the major changes in banking procedure which should benefit earnings henceforth are the well laid plans of many institutions to invade the field of instalment financing of consumer goods and further expansion of individual character loans. The remarkable record established in prewar years by specialized finance companies has taught the banks that here was a safe and profitable enterprise previously avoided by them. With the near term promise of a flood of civilian pur- *(Please turn to page 610)*

Position of Leading Banks

	Wartime Increase in Deposits (12/31/40-12/31/45) Per Cent	Earning Assets as % of Total Resources 12/31/45	Government Securities as % of Total Earnings Assets 12/31/45	Indicated Net per Share 1944	Indicated Net per Share 1945	1945 Dividend	Book Value per Common 12/31/45	1945-6 Price Range* High	1945-6 Price Range* Low	Price 1/29 Bids	Yield	Price Earnings Ratio
LEADING NEW YORK BANKS												
Bank of Manhattan	84.8%	76.0%	58.4%	$2.07	$5.11	$1.00	$30.26	35¼	25¼	33½	3.0%	6.5
Bank of New York	44.4	71.2	64.3	72.12	33.11	14.00	436.20	483	426	470	3.0	14.2
Bankers Trust Co.	23.5	79.2	58.7	5.16	3.39	1.40	47.77	54	45	53½	2.6	15.7
Brooklyn Trust Co.	115.1	80.6	80.0	7.35	11.29	4.00	185.28	139	112½	134	3.0	11.8
Central Hanover Bank & Trust Co.	42.3	80.5	60.8	9.81	11.67	4.00	112.63	129½	104¾	118½	3.3	10.2
Chase National Bank	62.0	76.5	66.0	3.01	3.59	1.40	40.57	47½	39	45	3.1	12.5
Chemical Bank & Trust Co.	75.0	83.5	57.7	4.69(x)	5.31	1.80(a)	40.02	67	49½	52	3.4	9.8
Commercial National Bank & Trust Co.	65.1	81.4	77.2	4.36	4.57	1.60	54.82	53½	46½	48½	3.3	10.6
Continental Bank & Trust Co.	162.4	74.7	44.1	1.61(x)	3.77	.80(a)	22.67	27	19¾	22½	3.6	5.9
Corn Exchange Bank & Trust Co.	119.6	78.2	89.1	3.96	4.84	2.40	53.35	67	51⅞	66¼	3.6	13.8
Empire Trust Co.	92.7	80.9	72.0	8.04	8.76	3.00	105.07	123	83	124	2.4	14.1
First National Bank	—1.3	85.9	74.3	124.27	122.92	80.00	1333.79	2240	1725	1960	4.0	15.9
Guaranty Trust Co.	38.4	81.9	65.9	24.03	23.62	12.00	347.42	397	330	368	3.2	15.6
Irving Trust Co.	67.8	79.2	74.4	1.07	1.22	.70	22.08	21¾	15⅞	20	3.5	16.4
Manufacturers Trust Co.	168.1	76.3	73.5	4.86	9.75	2.10	54.85	66⅝	54¼	64½	3.2	6.6
Marine Midland Corp.	92.1	82.1(e)	70.6(e)	.91	.91(z)	.22½	11.76(f)	11½	7⅜	10½	2.2	11.6
J. P. Morgan & Co.	1.2	81.2	72.3	13.14	17.75	8.00	231.89	320	274	322	2.4	18.0
National City Bank	77.0	78.7	64.7	3.98	4.93	1.30	40.21	50½	38½	48½	2.3	9.8
New York Trust Co.	77.3	74.6	64.2	6.89	14.97	3.75	99.83	117	99¼	110	3.4	7.3
Public National Bank & Trust Co.	220.8	81.2	68.9	4.47(x)	3.81	1.50(b)	48.89	54¾	40¾	48	3.1	12.6
United States Trust Co.	7.3	81.4	57.2	40.03(x)	38.95	35.00(x)	767.75	840	785	785	4.4	20.1
LEADING OUT-OF-TOWN BANKS												
Bank of America San Francisco)	227.1	80.8	68.9	2.67	2.88	2.40	25.65	48⅝	36½	45	5.3	15.6
First National Bank of Boston	88.5	75.9	64.4	3.14	3.11	2.00	40.97	[illegible]	[illegible]	57	3.5	18.3
First National Bank of Chicago	102.4	80.4	67.2	24.42(x)	23.07	8.00(c)	189.47	355	257	258	3.1	11.2
Harris Trust & Savings (Chicago)	80.0	72.9	31.4	22.98	24.23	12.00	279.67	404	385	395	3.0	16.4
Penn. Co. for Ins., etc. (Phila.)	95.7	74.9	76.0	2.93(y)	3.25(y)	1.60	30.16	46	38½	44½	3.6	13.7

*—To January 25, 1946.
(a)—Plus 25% stock.
(b)—Plus 10% stock.
'c)—Plus 20% stock.
(e)—To June 30, 1945.
(f)—As of June 30, 1945.
(x)—Adjusted for capital changes.
(y)—Before profits on sales of investments, charge-offs, etc.
z)—12 months to September 30, 1945.

Happening in Washington

Cushing Photo

By E. K. T.

HENRY WALLACE is at it again. The starry-eyed Secretary of Commerce is attempting to set the pattern for war veteran grievance appeals by creating a bureau to which former servicemen can go to straighten out their peeves on job restoration. Wallace's propensity for amplifying the problems of the "forgotten men" will make his appeals office a fertile field for squawks but it may have the effect, eventually, of establishing a body of regulations.

HANNEGAN and Truman are feuding and their battle will have national repercussions. Each needs the other but the break seems irreparable. Strange as it might seem in view of the record of past success in the field, Hannegan has concluded Truman is politically inept, blames him for the impasse with Congress, and plans to set up his own board of strategy to deal with the legislators. The party's chairman thinks the limit has been reached on appointment of personal friends, seen the practice a weakening force, wants diversification.

WASHINGTON SEES:

Government reorganization has started a battle among agencies which is certain to result in haphazard distribution of functions with loss of efficiency.

Each department was asked by the White House to list operations it no longer wishes to handle, those which each has now but believes could better be handled by another division of government, and those which another department has which it would desire to absorb. Answers to the first two of these inquiries were few; on the latter question, answers were many.

The Army wants to take over the Navy; the Department of Interior has asked for control over the Navy's oil reserves, the forest preserves now held by Agriculture, and all power projects; Commerce Department wants to assume remaining functions of the War Production Board and would like several independent agencies merged under its control—Tariff Commission, Securities and Exchange Commission and War Shipping Administration; Department of Labor is eyeing the National Labor Relations Board; Federal Works Agency thinks it should have the multimillion dollar hospital construction program of the Veterans Administration; Federal Security Agency seeks the Children's Bureau now in the Department of Labor.

President Truman is reported to be wishing he hadn't started it all.

ATOMIC ENERGY control definitely will be taken out of military hands. Senator Brien McMahon, chairman of the Congressional committee in charge of the future of that element has sufficient backing for his bill to turn the subject over to civilian experts and President Truman will publicly declare his support for the measure shortly. Navy Department will "go along"; Nimitz sees no radical change in national protection resulting from the bomb, claims ships are not vulnerable to high-altitude releases, knows if there is to be military control the Navy will suffer by Army domination.

JOHN L. LEWIS will not take over AFL without a fight, certain as it now seems that eventually he will succeed to the leadership long held by William Green. The veteran, mild boss of American Federation of Labor issued a statement almost simultaneously with re-admission of Lewis to his organization, pointing to results achieved since V-J Day "without strike." Green offered his membership an explanation of how that was achieved: "Experienced union leaders seek substantial progress through collective bargaining conducted privately with employers on a basis of fact and experience, with consideration of the interests of both parties."

BALANCED BUDGET by 1948 is a possibility but it will require determined effort by Congress and the public. One of the obstacles is responsiveness of the lawmakers to demands from back home for new local projects—Federally-financed power plants, veterans administration hospitals; another is foreign relief. The more fiscal-minded Congressmen are throwing up their hands. How, they ask, can this country reduce taxes and increase expenditures simultaneously?

AS WE GO TO PRESS

There was more to the House vote to return United States Employment Service to the states than appears on the surface. It was the opening wedge in a long-planned drive to "de-Federalize" agencies which draw their funds from Washington but operate more particularly at home.

But the fact that the approved change carried by more than a two-to-one vote must not be taken to mean the switch will be effected. The Senate may concur by an even greater majority. The Southern "states rights" members are aligned with the Republicans in favor of it. President Truman will veto the bill and he seems to have sufficient votes to enforce his will.

That circumstance doesn't alter the fact that there is a move afoot to restore state sovereignty. For more than five years Washington has been financing and controlling situations which formerly were provinces of the states. Now the states — by reason of the fact that the cost has been lifted from them — are financially healthy and demanding and their Representatives are responsive.

One of the nation's most interesting political figures — Rep. Clare Luce of Connecticut — has plans afoot. She will not run for re-election to the House. But her disavowal was aimed at the voters of her own district and she did not declare herself out of office. She might run for United States Senator from Connecticut. Senator Thomas Hart, Republican interim appointee, won't run again.

Shippers soon will sense real improvement in the transportation situation. Tapering off of troop movements has not yet been fully reflected in availability of freight cars (which carried necessary equipment) but soon will be. Refrigerator cars will be seriously short for months.

Important in the two-way trade which economists say holds the key to the next decade is the fact that there no longer is any reason for tightness in water transportation. There are plenty of ships and there will be more schedules following end of the world shipping pool in March.

Government will step in and take control of metal containers situation if steel production doesn't recover rapidly. The sympathy walkout in metal container plants — the two largest producers in the field report a total of 18 plants shut down — may force concentration on packages for foods with industrial production shunted to the sidelines.

Federal agencies admit they have no accurate figures on the stock of plate in the hands of manufacturers. A survey will be taken before any drastic action is announced.

Investigation can be expected to learn to what extent the soldiers' preference provision of the Surplus Property Act is being abused. It has been the most contentious section of the law; loose administration allegedly being at fault.

Cases where individuals have employed veterans, giving them titles or "partnerships" so that they might bid and acquire short supply commodities are being probed. They affect, naturally, only the lower cost items but they are reputed to be numerically important in the disposal scheme.

An investment of two million dollars of the taxpayers money is about to be tossed away after an unsuccessful try at one of the most fantastic of government's many explorations into the field of business. The Atchison, Kans., limestone cave which was acquired by the Department of Agriculture to store surplus eggs, butter, potatoes and other commodities will be given up.

It required two years for the Government to decide it should not operate a storage business if there is idle space in private warehouses. Overlooked in the beginning was the fact that all commodities cannot be stored at the same temperature — and the Atchison cave is a single hole in the ground, no compartments.

Secretary Harold Ickes' report to the President draws a sobering picture of the nation's natural resources. Staggering drain of the war years has left only nine major minerals in sufficient supply to last 100 years; of 22 minerals, a 35 years supply is the outlook.

Domestic petroleum outlook is reported to be bad, although private corporation experts don't see it as dark as Ickes does. Result of the report will be creation of a natural resources council, well financed, to keep permanent inventories, develop safeguards against too rapid depletions, seek to fit atomic energy into the fuel pattern.

Aviation industry will be interested in a new 86-page booklet soon to be issued by the Civil Aeronautics Administration under the title, "Airport Buildings." The subject is big and CAB didn't entrust it to the bright young theorists on the Government payroll.

Practical men with experience in all phases of airport problems supplied the information — airport managers, city officials, airlines personnel, architects, engineers and officials of the Post Office Department and Immigration Service contributed. It's designed primarily to assist small and medium-sized cities to come into the growth of aviation. It has real estate men rubbing their palms hopefully.

Industry leaders will be even more interested in a new issue of 145 reports on scientific and industrial information, obtained mainly in Germany and German-occupied countries, and put into print by the U. S. Department of Commerce. Materials, manufacturing processes, products and development work, and other scientific and technical matters are discussed. The Department has made plans to make the material available in several forms, including microfilm.

Opportunity for development of a new industry is seen in the Federal Communications Commission order setting up radiotelephonic communications in 20 major cities and the announcement that similar service soon will be established in 32 additional cities.

Automobile owners soon will have the opportunity (standardization is a long way off) to have equipment installed. It is now being made in limited supply, pending tests. Initial trials will be made at three points, the first probably between Connecticut and Boston.

On the desk of President Truman is an order awaiting signature which will merge the Surplus Property Administration with the War Assets Corporation. This switch will give Lieut. Gen. E. B. Gregory policy direction over sales and the operating responsibility for 90 per cent of the disposals.

Not later than March 15, another order may be looked for giving Gregory free rein by abolishing SPA and creating War Assets Corporation as an independent unit with Reconstruction Finance Corporation completely out of the picture. Symington will be transferred to another department, probably the Navy.

Hardware retail outlets have one of the lowest rates of failures in the distribution field, Department of Commerce has found. Still, one of four established has failed, the Government advises war veterans. For their guidance, the experts have figured out that $10,000 is the minimum safe investment. And that's far above the GI loan level.

ANNUAL REVISION of M. W. S. COMMON STOCK INDEX

. . . 1946 Grouping of the 300 Component Issues

By F. A. Giffin

ON THE first trading day of each new year since THE MAGAZINE OF WALL STREET'S COMMON STOCK INDEX made its debut in 1926 it has been our custom to make revisions in the list of component issues — dropping deadwood and adding stocks in which there is a new aroused public interest.

Volume of sales has been the general yardstick for determining whether a stock shall be added or dropped. Standards of admission and rejection have varied some from one year to another with gains in experience in compiling the list; but this has in no way impaired the continuity of the index.

The volume rule this year has been that a stock is added to the list if its volume of sales last year was at least 1/5 of 1% of total sales for 1945 in all listed stocks, common and preferred, and dropped if sales fell below 1/50th of 1% of last year's total reported sales. Since total sales last year were something over 377 million shares, this means that stocks in which last year's sales exceeded 750,000 shares were added, while issues in which last year's sales fell below 75,000 shares would ordinarily have been dropped.

Some Exceptions

Exceptions to the minimum volume rule are made where dropping a stock would impair the representative character of a sub-group. This year, for example, Coca Cola is the only stock that would have been dropped under the rule; but it has been retained in order not to spoil the Soft Drink group.

We have also made one exception to the admission rule this year. Last year stocks were dropped when their volume fell below 1/25th of 1% of total sales in all listed stocks. This caused us to omit Eastman Kodak. The stock has been restored to the list this year—mainly because it would not have been dropped under this year's less stringent volume rule, and secondarily because it is the only stock among Dow Jones 30 industrials which was not in our index also.

Nine issues have been added to our list this year because their sales last year exceeded 750,000 shares. The nine are: Equitable Office Building, Laclede Gas, Lehigh Valley Coal, Chic., Milwaukee, St. Paul & Pac., Panhandle Prod. & Ref., Symmington-Gould, Republic Aviation, Silver King and Sunshine Mining.

THE 20 MOST ACTIVE STOCKS ON THE NEW YORK STOCK EXCHANGE

	1945 Repoted Volume (shares)	1946 Repoted Volume (shares)
Commonwealth & Southern Corp.	8,519,800	2,872,600
New York Central R.R.	5,313,800	3,548,000
United Corp.	5,073,000	1,828,800
Packard Motor	4,158,400	2,743,200
Radio Corp. of Amer.	4,003,200	2,299,200
Columbia Gas & Elec.	3,992,400	2,119,500
Inter'l. Tel. & Tel.	3,987,600	3,189,500
Aviation Corp.	3,581,300	1,781,700
Pan American Airways	3,305,700	647,700
Canadian Pacific Rwy.	3,248,300	1,075,400
Baltimore & Ohio R.R.	3,053,700	1,661,000
Alleghany Corp.	2,793,600	1,235,600
National Power & Light	2,775,500	1,036,300
Socony-Vacuum Oil	2,722,200	1,815,600
Armour & Co.	2,524,200	996,000
Graham-Paige Motors	2,518,700	3,073,100
Pepsi-Cola	2,345,500	935,900
Northern Pacific Rwy.	2,311,600	1,793,100
Sinclair Oil	2,226,600	2,027,900
Curtiss-Wright Corp.	2,283,700	1,366,000

In addition to these changes, Florida Power was substituted for General Gas & Electric. The Index this year will thus be composed of 300 stocks (listed in the tabulation on page 608)—ten more than last year.

The composition of the Index this year makes it possible to set up two new sub-groups—Realty, with 3 component issues; and Coal Mining, with 2 components. Space permitting, we shall begin publication of these two new group indexes within a few weeks. Until then, the "Unclassified" group will be composed of the 18 issues here tabulated, plus the 3 Realty and 2 Coal Mining stocks—23 issues in all.

Some of our readers who are not too familiar with the method of computing our Index have wondered if these yearly, and sometimes far-reaching changes in composition may not have impaired the value of this Index as a measure of what goes on in the market. Before attempting to answer this legitimate question, we must confess to a little ghoulish delight inpointing out that, of the 238 issues in our original 1926 index, only 130 have survived the financial tides and storms of the past 20 years to be included among the 300 issues in our 1946 index.

Some of the missing stocks have been dropped for inactivity, some have gone out of business, others merged with other (*Please turn to page* 609)

BACKLOG INVESTMENT SECURITIES

by H. F. Travis

BACKLOG securities, as their description implies, are securities which provide the solid and longer standing basis of a thoughtfully conceived investment program. They are issues which are qualified to rank above the average in terms of investment dependability and security, and which merit the confidence of the more discriminating investor.

In a portfolio committed to the objectives of uninterrupted income and the maximum immunity from industrial and market viscissitudes, the selection of backlog securities obviously must be made from those issues in the higher grade categories. And for the protection afforded by that class of securities, the investor must expect to pay a premium price and be willing to accept a lower rate of return on his capital.

Record Low Yields

At the present time, investment yields are extremely low. The yield on unrestricted Government 2½'s 1972-67 is less than 2 per cent; on high grade corporate bonds the yield is about 2½ per cent. High grade industrial preferred stocks, non-callable, currently sell on a basis to yield about 3.65 per cent. The 30 industrial common stock issues making up the Dow-Jones Industrial Average yield about 3.4 per cent.

During the course of the four-year bull market in common stocks, yields on this class of investment have declined on the average of more than 4¼ per cent. Stated otherwise, the investor in the Spring of 1942 could have acquired a representative group of industrial common stocks to yield an average return of nearly 7.7 per cent. Today, these same stocks are selling to yield less than 3.4 per cent, on the basis of the most recently indicated rate of dividend payments—but with this difference. In the Spring of 1942, we were confronted with the major uncertainties of a global war, whereas today we are on the threshold of a period of national prosperity of unprecedented potentialities.

But while common stock yields were declining, during the same period, however, the yield on high grade bonds dropped less than ¼ of 1 per cent. Even at the outset of the war bond yields, in response to Federal policies deliberately calculated to promote low interest rates, were at or near their historical lows.

It is to be noted, however, that the action of "average" bond prices and yields tends to obscure the marked change which has occurred in the relative investment grade of many bonds, and it should not be inferred from the action of the averages that the advance in bond prices during the past four years has been of limited scope. Many issues of lesser grade bonds not only advanced substantially in price during the past four years, but they also acquired a greater degree of quality. This was particularly true in the railroad group. Many of the nation's leading railroads elected to utilize funds born of wartime prosperity to strengthen their finances and cut down funded debt. Large scale refunding operations were carried out which resulted in important reductions in fixed interest charges. All of which has had the result of strengthening the status of outstanding obligations. The same was also true of industrial and utility obligations, also to a somewhat lesser extent.

To the extent that many bond issues, formerly of inferior grade, have improved in quality, the same also holds true in the case of numerous preferred and common stock issues. The full measure of the improvement has not in many cases been adequately reflected in current prices. A considered choice among these issues would be justified for a limited portion backlog funds, with the advantage of a somewhat better yield than that currently obtainable on more seasoned issues.

Risks of "Down-grading"

It should not be inferred from the foregoing, however, that the writer favors a general policy of "down-grading," solely for the purpose of getting a better yield. Quite the contrary. More appropriate to this discussion is a stiff note of caution against just such a policy, and the inherent risks involved in succumbing to the lure of high yields.

Let us take, for example, the case of the retired business man. After many years of active business life, he has built his personal capital up to a sum which invested in good securities will yield him enough to retire and live comfortably. In the interests of security and stability he has allotted the bulk of his capital to good bonds and preferred stocks. But his plans have apparently miscarried, for every year of the past decade, at least, his income has declined. Nor is this his sole worry. He finds that he must pay higher taxes—income, real estate, city and county assessments and excise—the cost of food, clothing and other living essentials has risen at least 30 per cent. He is being squeezed in

a veritable pincers, and something has happened which seems to have confounded his judgment.

A Victim of Circumstances

Actually it was not his judgment which was at fault. He has been the unwilling victim of circumstances beyond his control. Bonds which he may have acquired ten years ago have been retired or replaced with other issues carrying a lower rate of interest. The same fate has befallen some of his preferred stocks. If at the outset he elected to accept the replacing issues, even at some loss in income, because of his confidence in the company, he may later have had the not unusual experience of having even these issues replaced by new securities effecting a further reduction in interest or dividends. Having reached a practical limit in shaving his income, what, if anything can he do to ease his dilemma?

It is at this point that the temptation to acquire issues yielding a higher than average return becomes almost irresistible—and understandably so. But in the present setting issues which appear to be selling "behind the market," with a resulting higher yield, are not necessarily being overlooked. Many of these "bargain" issues may in time prove to be anything but. More often than not there are very definite reasons to account for a higher yield, and these reasons may have a very decided speculative origin, a circumstance which may be only partially compensated for by the greater income return.

Beware of "Bargains"

It would be prudent therefore to regard all such issues with a considerable measure of skepticism. Investigation and analyses, however, may disclose factors which would warrant a greater degree of confidence than at first suggested by price-yield comparisons. The degree of risk, in other words, may be more apparent than real. Such issues, it should be borne in mind, are a very decided minority and their acceptance in an income portfolio should be contingent only upon thorough investigation—and even then they should be limited to a conservative proportion of total investment capital.

In the present setting of extreme low yields, high grade preferred stocks offer little inducement to the individual investor. While to a degree, the course of preferred stock yields has been similar to that of bond yields, preferred stocks are more sensitive to changes in the business cycle and the risk of possible capital loss at current inflated levels, if not imminent, is at least considerable. A 4% preferred stock yielding 3.65 per cent (the present average) would sell at about 110; on a 5 per cent basis the price would be 80. While there is nothing in the immediate prospect to indicate that 5 per cent yields for high grade preferreds is likely, these figures serve to suggest the degree of **potential** risk. A decline of 30 points in the value of a 4 per cent issue would be equal to the dividend return for 7½ years!

As in the case of bonds there are, however, preferred stocks which have a good dividend background and which would qualify satisfactorily for the funds of any investor requiring dependable income, but which on a relative basis would not be entitled to the higher grade rating. In a number of instances, the principal criticism which might be made of these issues is possibly their lack of seasoning, or the fact that they may be issued by a company occupying something of a secondary position in its field. Or they may be issues of companies with a somewhat volatile earnings factor. Any or all of these factors could have the effect of producing a rather wide range of price fluctuation, and the investor must be prepared to risk possible capital depreciation, although income continued unimpaired.

The Status of Common Stocks

Common stocks, strictly speaking, are not generally identified with backlog securities—although there is no valid reason why they should not. Here again the factor of price fluctuation must be reckoned with, and confronted with the rather obvious implications of the current high level of prices at the top of a four-year bull market considerable burden is placed on the correct timing. Regardless of how convincing the prospect may be for business boom of possibly several years duration, common sense tells us that the present is hardly the time to initiate a large scale investment program committed substantially to common stocks. Within reasonable limits, however, selected common stocks might be used to effective advantage in an income portfolio, and with results which should be as good possibly better, than either bonds or preferred stocks. There are common stocks which have been consistent dividend-payers over an extended period of years, which have fared well even under adverse circumstances, and which under favorable conditions have paid a larger, or extra, dividend. They represent companies thoroughly established in their respective fields and which are identified with the more stable, rather than volatile, industrial groups. Further extension of the (*Please turn to page 607*)

Selected Issues for Dependable Income

BONDS

	Recent Price	Call Price	Current Yield %
Amer. & For. Pwr. Deb. 5's, 2030	108	106	4.7
Armour & Co. Deb. 4½'s, 1975	104½	104	4.3
Intl. Tel. & Tel. Deb. 5's, 1955	105¾	105	4.7
Lehigh Coal & Nav. S. F. 3½'s, 1970	105	105	3.3
New Eng. Gas & Elec. Assn. Deb. 5's, 1950	100	100½	5.0
Northern Pacific Ref. & Imp. 5's, C, 2047	110	105	4.5
Pittsburgh & W. Va. 1st 4½'s, 1958-60	102	102	4.4
Southern Pacific Deb. 4½'s, 1981	108	110	4.2

*—Not prior to July 1, 1952

PREFERRED STOCKS

	Recent Price	Call Price	Current Yield %
Associate Dry Goods $7 2nd Pfd.	139	N.C.	5.0
Baldwin Locomotive $2.10 Pfd.	42	40	5.0
Barker Bros. 4½% ($50 Par) Pfd.	52½	55	4.3
Columbia Gas & Elec. $6 Pfd.	110	110	5.4
Curtis Publishing $4 Prior Pfd.	74	75	5.4
Sharon Steel $5 Pfd.	105	105	4.8
Stokely-Van Camp $1 Prior Pfd.	22	21	4.6

COMMON STOCKS

	1945 Div.	Recent Price	Yield %
Borden Co.	1.80	54	3.3
Cluett Peabody & Co.	2.00	60	3.3
Consolidated Edison Co. of N. Y.	1.60	35	4.6
El Paso Natural Gas	2.40	52	4.6
General Telephone	1.60	39	4.1
Kress, S. H.	1.60	47	3.4
Kroger Grocery	2.00	48	4.2
Pacific Lighting	3.00	63	4.8
Pennsylvania R. R.	2.50	47	5.3
Texas Gulf Sulphur	2.50	53	4.7

. . . Expansion of Russian Trade

. . . American Loan to France

. . . Industrial Equipment and Latin-American Inflation

WITH JOHN LYONS

SINCE the collapse of Germany, the basis of trade relations in Eastern and Southeastern Europe has been, by and large, the trade agreements which the individual countries have concluded with each other or with the Soviet Union. Most of these agreements resemble rather closely the pre-war German barter arrangements. Czechoslovakia, Finland, and Poland have, in addition, trade agreements with several Western European nations.

Russia's Trade Agreements

From the viewpoint of the future development of Eastern and Southeastern Europe, the most interesting are the trade agreements concluded by Finland, Hungary, Roumania, Czechoslovakia, Poland, and Bulgaria with the Soviet Union. Now that there is more information available about them, the following points seem to stand out: (1) the Soviet Union has begun to provide these countries with industrial raw materials and certain semi-durable goods, some of them at prices which the United States will find difficult to meet C.I.F. Eastern European ports; (2) just as the Germans did before the war, so the Russians at present are attempting to influence the economic—and particularly the industrial—development of Eastern and Southeastern Europe, so as to tie it as closely as possible to the Soviet economy; (3) the Russians are courting the favor of the countries lying within their orbit of influence by providing them with manufactures and raw materials of which they must be very short themselves. It seems that they are trying to prove that the Soviet Union, as a great power, is not only able to provide itself with the basic industrial products and capital goods, but is able to do so also for the countries lying within its sphere of influence. It also appears that the U.S.S.R., convinced that the pacification of the Balkans demands the exclusion of all other big Powers, is taking the lead in the economic rehabilitation of this area.

The trade agreements concluded by the Soviet Union with the six above countries call for an exchange of goods at the annual rate of $180 million during 1946. If the goods called for are actually exchanged — of which there is still some doubt because of the poor state of transportation — it would mean approximately a tenfold expansion of Russia's trade with her western neighbors as compared with the pre-war years. In fact, Russian trade with the countries of eastern and Southeastern Europe would then be considerably larger than her pre-war trade with all Europe. On the other hand, the exchange of goods with Russia would still be but a fraction (about 15%) of the total pre-war trade of Czechoslovakia, Finland, Poland, Bulgaria, Roumania, and Hungary, the combined exports and imports of which were valued at about $1,400 million in 1937. Countries such as Poland, Czechoslovakia and Finland would still be very much dependent upon trade with the West.

These trade agreements with Russia provide for the barter of certain goods at predetermined prices. The prices, at least in the Hungarian and Roumanian agreement, are quoted in dollars, and some of them (of trucks and tractors) are below the quotations for corresponding American goods C.I.F. Eastern European ports. Russia is seeking principally delivery of fuels: coal from Poland, and petroleum products from Roumania and Hungary. Also needed are cement from Roumania, lumber from Finland and Roumania, machinery from Czechoslovakia, cotton textiles from Poland, Czechoslovakia, Roumania, and Hungary, and tobacco from Bulgaria. In exchange the Soviet Union promises to ship certain raw materials, principally cotton and copper, and a long list of manufactures, including semi-finished steel, motor vehicles, tractors, agricultural machinery, electrical apparatus, fertilizers and chemicals. In the case of Roumania and Hungary, the trade agreements also provide for the establishment of mixed Russian-Hungarian and Russian-Roumanian state companies for certain industries. For example, the Roumanian oil companies were to form the "Sov-Rom" oil concern to which the Roumanian Government was to cede a half share of its royalties and exclusive boring rights. As a result Roumania and Hungary are on the way to becoming virtual economic dependencies of the Soviet Union. If and when the Russians are able to produce enough

capital goods—and this is expected to be by 1950—even a larger proportion of the trade of Eastern and Southeastern Europe may be directed toward the U.S.S.R.

American Loan to France

A French official delegation, including M. Jean Monnet and the former Premier M. Leon Blum, is expected very shortly in this country to open negotiations for a new loan. The French claim that they need between $2 and $3 billion, but the figure is considered in Washington to be too high. Besides, Congressional approval would be necessary, since the uncommitted funds of the Export-Import Bank are down to $1.6 billion. France already obtained two loans here last year. One, the so-called "pipeline" loan, was for about $500 million and was arranged last September to finance the delivery of the lend-lease goods already ordered (in pipeline). The other loan, for $550 million, was a "take-out" loan for the delivery of raw materials and equipment for rehabilitation of the country, which were requested under lend-lease, but not ordered. Early in January of this year, France also obtained a loan for $242 million from Canada; in addition, Switzerland, the Netherlands, Sweden, and Great Britain have opened credits for France to the tune of more than $500 million.

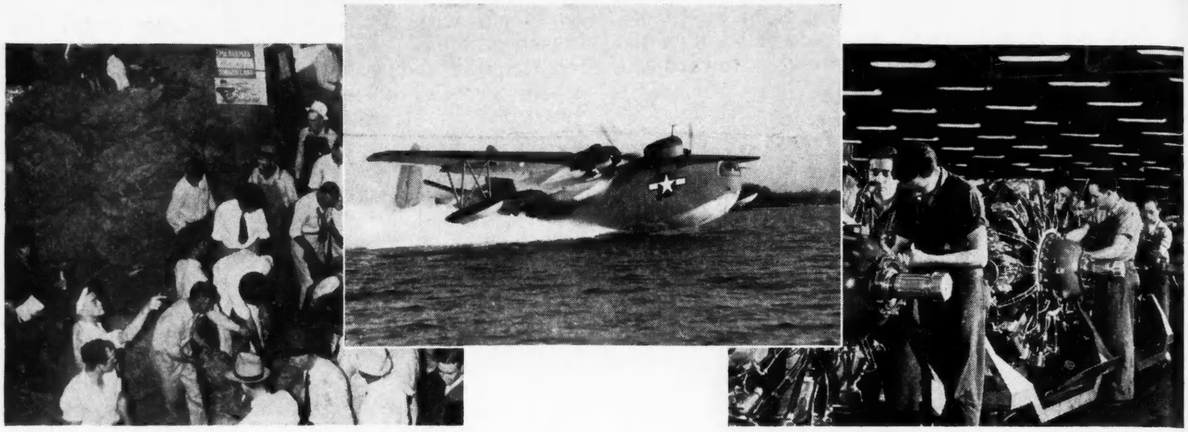
The new (third) loan is to be used largely for the purchase of industrial equipment here, for the purpose of modernizing French industries. Last December 26, 1945, the day on which the franc was devalued and the Bretton Woods Agreements signed, the French National Assembly also adopted the so-called Monnet Plan (its originator is coming to this country with the French delegation) which attempts to turn France into a planned economy and to give her a definite economic policy. A technical survey is to be made of all major industries to determine their condition and capital structure as well as what may be required to bring their production technique up to par with most modern practices. After the investigation is finished, which is to be within six months, the industries are to be coordinated and a policy worked out as to which industries are to be modernized first. As in Great Britain, the export industries, because they are creating foreign exchange, are to get priority. The responsibility for the overall economic policy involving the supervision of the internal flow of capital and the use of external funds (including those obtained through a loan) is to be placed in the Planning Council, directly responsible to the President.

In pressing the modernization or rationalization of industry and in urging that the productivity of the worker and the farmer be raised (it is rather strange to have the socialists and communists in the National Assembly put so much stress on productivity), the French people are undeniably on the right track to the solution of their difficulties. Certainly no loan could be given for a better purpose. But things are not that simple in France. While stressing the importance of the expansion of production as one of the way of checking inflation and of avoiding the chaos that a further devaluation of the franc would probably bring about, the new French Government of Provisional President Felix Gouin has also come out for the speedy enactment of the bills for the nationalization of public utilities, the merchant marine, insurance and mining companies, and some of the large investment banks and industrial enterprises. Such steps are bound to affect adversely the productivity of private enterprise, and, by creating an atmosphere of uncertainty, they inevitably slow down business in general. Moreover, nationalization will also involve the Gouin Government in extra large expenditures and thus counteract its praiseworthy effort to reduce the huge budgetary deficit during the present fiscal year.

The 1946 budgetary expenditures are estimated at 466 billion francs, as compared with Fr 532 billion spent in 1945. The normal revenue, however, is expected to cover only (*Please turn to page* 612)

Harbor scene, Rio de Janeiro, Brazil

Gendreau



Sawders

1946
Special Re-appraisals of Values, Earning and Dividend Forecasts

Prospects and Ratings for Leading Building, Aircraft, Air Transport, Paper and Tobacco Stocks.

Part II

AS THE nation emerges from abnormal war conditions to an era of peace, thoughtful investors sense the necessity of scanning portfolios with critical eyes. Hope of success in securing a satisfactory income or of achieving gains through appreciation must rely upon penetrating insight into the ever changing economic scene, as unprecedented forces are now at work which may stimulate or check the progress of numerous industries or their component units.

Many a concern rated as marginal in prewar has gained new stature through abnormal wartime activities and may either relapse to an unimpressive position or offer dynamic competition to leaders in its group henceforth. On the heels of a four-year major rise in stock prices, a crucial question arises as to what profits to accept — what stocks to retain — what substitutions to make, and only reasoned analysis can find the answer.

In order to assist our subscribers in formulating investment decisions, the Magazine of Wall Street presents its Security Re-appraisals and Dividend forecasts at six months intervals in addition to its regular coverage of important economic and industrial developments in each issue. By this method, the maximum number of industries are periodically reviewed in the light of most recent information available with up-to-date statistical data provided for ready comparisons. Supplementing this, brief comments on the status of each individual company listed on the table and its near term dividend potentials are presented. This combined material we believe will serve as the most practical method of keeping our readers, who collectively own shares in many corporations, adequately informed in their efforts to safeguard or improve their investment positions.

The key to our ratings of investment quality and current earnings trend of the individual stocks — the last column in the tables, preceding comment — is as follows: A+, Top Quality; A, High Grade; B, Good; C+, Fair; C, Marginal; while the accompanying numerals indicate current earnings trend thus: 1—Upward; 2—Steady; 3—Downward. For example, A1 denotes a stock of High Grade investment quality with an Upward current earnings trend.

Stocks marked with a W in the tabulations are recommended for income return. Issues regarded as having above average appreciation potentials are denoted by the letter X. Purchases for appreciation should, of course, be timed with the trend and investment advice regularly offered in the A. T. Miller market analysis in every issue of this publication.

Realistic Survey of Building Stocks

by J. C. Clifford

THE MUCH HERALDED construction boom, long accepted as the spearhead of record peacetime prosperity, continues to accumulate evidence of sound fundamentals. In the light of realistic circumstances, however, now cropping up to sober optimism, some revision of 1946 prospects appears rational. While this does not imply that the current year will not prove highly satisfactory from the standpoint of volume and earnings for the building industry, chances are that the initial pace may prove slower than expected and that not for a year or more will construction get really into its faster strides.

Currently, as happened after War I, housing shortage has become an outstanding problem in every corner of the land, industry must have new plants to expand production, and public officials plan to spend huge sums for highway construction, libraries, schools and what not. In the main these accumulated needs are primary, purchasing power is ready to satisfy them despite astronomical estimates of required funds, essential materials soonor or later will be in amply supply and available labor will increase as veterans are released from the Services. As 35,000 building concerns throughout the nation are bolstered by experience and capital to cure the enormous deficiencies, long range prosperity for perhaps a decade to come for the building industry offhand might appear to be as certain as anything could be. But temporary handicaps prevent any wild rush for the hoped for goal and conservative experts advise caution until another six months or so have passed to clear the air.

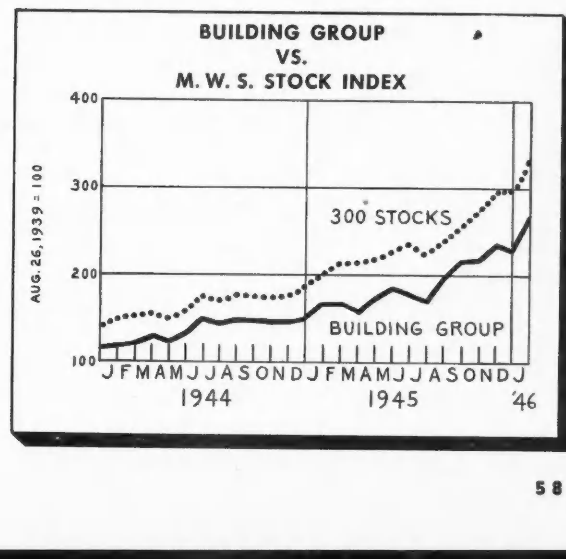
1945 Peaks

As a matter of fact, during the year just ended, certain classes of private construction work steadily rose to establish an all time peak, despite or perhaps because of military requirements—with no doubt existing as to shortages of men and materials. Private industrial volume soared to $635 million in 1945 compared with the former 1940 peak of $594 million, and under favorable operating conditions could establish a new record in the current year. Public housing projects also got under way soon after VJ day, and along with other public construction works to cost hundreds of millions of dollars will indubitably serve to support a large volume for the building industry.

Home building, however, thus far has run into countless snags which may require considerable time for elimination. Supplies of steel, concrete, lumber, metals, brick and tile are all seriously depleted, and quite aside from the current strike wave factor, competition for these same essentials by other industries has led to a continuing scarcity far in excess of productive capacity to correct. So serious have these shortages been, any single one of which could interrupt building operations, that house construction promises to bring up the rear for a while before eventually resuming its traditional lead in the procession. The Government, in realizing the social and economic importance of the problem, released all controls other than allocation of a few very scarce materials early last fall but in recent weeks has found it necessary to lay out a new restrictive program. As Priorities Regulation 33, an HH rating is assigned to ten basic building materials, with the percentage of each from available supplies varied according to normal expectancies. Trouble is, however, that these essentials can be used only for homes costing not more than $10,000, or if rented the charge cannot exceed $80 per month. Veterans have priority in buying and renting these homes.

Rising Building Costs

But during war years building costs advanced by at least 35% and regardless of price controls the upward trend of wages appears sure to find reflection in further rising costs, perhaps as much as 15% during 1946. If a prospective home owner dreaming of a $5000 house discovers that it will cost him $7500, either a buyer's strike may develop or necessity force deferment of long cherished plans. Professional builders, in any event, are slow to buy land at current high prices and decidedly uncertain as to the eventual cost of the house, for carrying charges mount in the wake of prolonged delays. For similar reasons they are reluctant to set a definite cost figure in building contracts, preferring to conduct operations upon a cost-plus basis—an arrangement un-



Position of Leading Building Stocks

Company	1936-9 Av. Net	1941-4 Av. Net	1945 Net	1944 E.P.T.	1945 Div.	Recent Price	Price Earnings Ratio	Div. Yield	Investment Rating	COMMENTS
	In Dollars Per Common Share									
Alpha Portland Cement	$ .81	$ .96	$ .22(a)	None	$1.00	$34	154.5	2.9%	C1	Probable peak demand for cement for road construction and building activities promise ample demand for company's products. Maintenance of dividend assured.
Amer. Radiator & S.S.	.41	.60	.69(a)	$1.13	.40	19	27.5	2.1	B—2	Dominant maker of plumbing and heating equipment, products sure to be in heavy demand during coming building activity. Strong finances. Dividend safe.
X Armstrong Cork	2.94	2.52	2.73(b)	3.90	1.50	56	20.5	2.6	B2	Leading producer linoleum, corks, with wide diversification in other special lines. Business on international scale. Prospects excellent. Dividend amply earned.
Celotex	1.18	1.22	.79(e)	Nil	.50	24	30.3	2.1	C+1	Only large maker of sheathing material from sugar cane. Low costs enhance potentials in coming high level building activity. Earnings erratic but dividend probably secure.
Certainteed Products	deficit	.61(f)	.50(a)	.13	None	17	34.0	.....	C+1	Heavy demand for roofing rehabilitation a favorable factor in outlook, but prewar record unimpressive and stock speculative. Currently non-dividend payer.
X Congoleum-Nairn	1.70	1.41	1.50(b)	.83	1.25	35¾	17.2	3.5	B2	Largest producer of wall and flooring products. Working capital at peak level. Prospects above average. Dividend not widely covered but safe.
X Crane Co.	1.72	1.65	2.26(b)	6.81	1.25	40½	17.9	3.1	B2	Leading manufacturer valves and piping, with large output of heating and plumbing equipment. Outlook good. Heavy tax cushion, strong finances assure dividend rate.
Devoe & Raynolds "A"(g)	.90	1.88	1.84(c)	None	.30	35	19.0	.8	B2	Long established paint maker with expanded facilities through recent acquisitions. Should share well in coming prosperity. Conservative dividend safe.
Flintkote	1.64	1.78	1.18(a)	2.58	.90	38¼	32.4	2.3	B2	Important maker roofing, shingles and asphalt specialties. Current volume satisfactory and growth potentials good. Dividend stability enhanced by tax cushion.
Holland Furnace	2.85	3.72	3.33(a)	None	2.50	60¾	18.2	4.0	B2	Strong trade position and growing popularity warm air heating favor prospects when residential building becomes active. Strong cash position warrants dividend liberality.
Johns-Manville	4.11	6.17	6.33(a)	4.93	3.25	154	24.3	2.1	A2	Outstanding position among asbestos makers. Excellent earnings record. Well indicated growth potentials in medium term. Earnings-dividend ratio amply assures current rate.
X Lehigh Portland Cement	1.89	2.20	.59(a)	Nil	1.00	42¾	72.4	2.3	C+1	Among the largest cement makers, with many strategically located plants. Cost control good and net should improve with prospective larger sales. No change in dividend.
Lone Star Cement	3.50	3.25	2.31(a)	None	2.25	72	31.3	3.1	B1	Low cost producer of cement with largely increased capacity a feature of recent years. Has important interests in Latin-American subsidiaries. Dividend has fair coverage.
Masonite	2.36	2.50	2.20 Ag	3.15	1.00	61	27.7	1.6	B1	Dominant producer of hard-board, with well integrated facilities. Products in wide demand by builders, automobile makers and other trades. Conservative dividend safe.
Minneapolis-Honeywell	1.75	2.19	2.43(a)	6.63	1.25	55	22.6	2.2	A2	Dominant in temperature control field. Potentials for expanding volume excellent. Tax relief will benefit earnings. Dividend amply covered.
National Gypsum	.62	.60	.49(a)	None	.25	29	59.1	.8	C+2	Popularity of gypsum products in industry and low cost houses indicates consistent gains in volume and profits in due course. Small dividend safe.
National Lead	1.16	1.16	1.98(b)	2.41	1.00	35½	17.9	2.8	A2	Strongly financed conservative concern with outlook enhanced by prospective demand from paint, railroad and automobile industries. Dividend secure.
Paraffine Cos.	3.77	3.46	3.89 Je	3.36	2.50	79¾	20.4	3.1	B2	Development of new products and company's strong trade position on West Coast enhance growth prospects. Earnings warrant dividend stability.

Table Continued on Next Page

Ag—Fiscal year ended August 31, 1945.
Je—Fiscal year ended June 30, 1945.
(a)—12 months ended September 30, 1945.
(b)—12 months ended June 30, 1945.
(c)—12 months ended May 30, 1945.
(e)—12 months ended July 31, 1945.
E—Estimated.
(f)—Adjusted for capital changes.
(g)—All figures reflect 2½-for-1 split October, 1945.
(X)—Issued regarded as having above average potentials.

Position of Leading Building Stocks (cont.)

Company	1936-9 Av. Net	1941-4 Av. Net	1945 Net	1944 E.P.T.	1945 Div.	Recent Price	Price Earnings Ratio	Div. Yield	Investment Rating	COMMENTS
	In Dollars Per Common Share									
X Pittsburgh Plate Glass (h)	1.48	1.50	1.50(a)	.55	1.06¼	47½	31.7	2.2	A2	Long established leader in field with chances for satisfactory business good with coming boom in automobile and building fields. Dividend stable.
X Pratt & Lambert	2.10	2.38	2.30 E	3.12	1.80	45	19.5	4.0	B2	Excellent financial structure and good trade position favor prospects continued prosperity. Fairly heavy tax cushion improves earnings outlook. No change in dividend.
Ruberoid	1.69	2.63	2.03(a)	1.58	1.25	48	23.6	2.6	B2	Favorable outlook for roofing specialties a factor promising well sustained earning power. Profit margins may widen mechanization. Liberal dividend safe.
Sherwin-Williams	6.21	6.47	7.17 Ag	5.49	3.75	148	20.6	2.6	A2	Aggressive paint maker with volume prospects bright in both domestic and foreign fields. New products and strong trade position favor growth. Dividend well covered.
X U. S. Gypsum	4.32	4.13	3.37(a)	.95	2.00	115	34.1	1.7	A2	Prospective residential building boom and increasing industrial demand for special products suggest prosperous period ahead. No change in dividend indicated.
Yale & Towne Mfg.	1.86	3.00	2.80(a)	9.12	1.00	49	17.5	2.0	B2	Leading maker of locks, with operations currently hampered by prolonged strike. Strong resources and ample tax cushion offset adverse factors. Dividend probably safe.

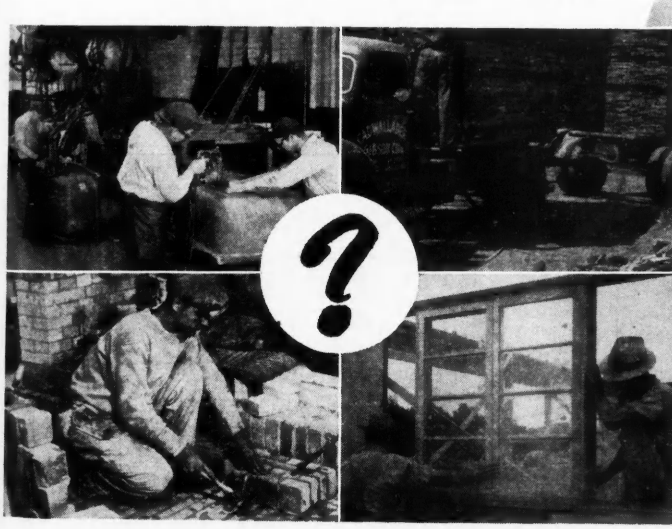
Ag—Fiscal year ended August 31, 1945.
(a)—12 months ended September 30, 1945.
E—Estimated.
(h)—All figures reflect 4-for-1 split January, 1946.

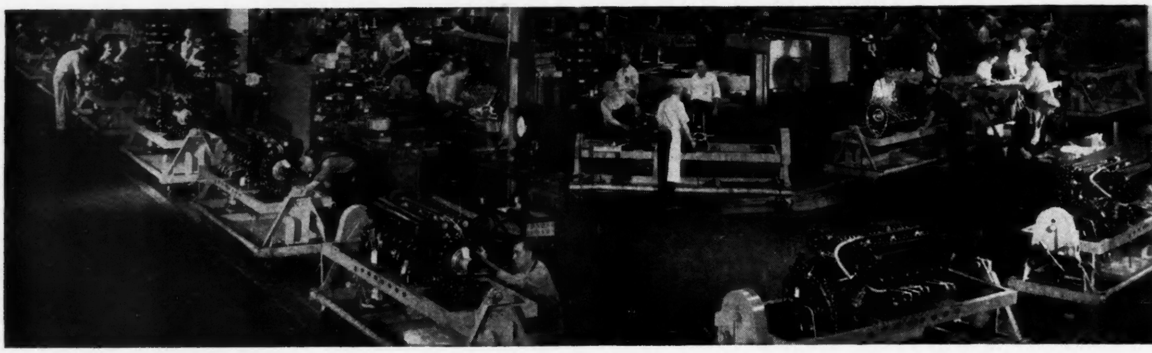
acceptable to many clients.

Interestingly enough, looking at the more optimistic side, experience based on conditions following War I indicates that while higher prices may check home building, pressing needs and abundant resources are likely to stimulate an impressive uptrend in building construction regardless of all factors other than the temporary scant supply of materials, a premise further supported by almost unlimited amounts of available credit at very low rates. Public officials of late, while expressing disappointment and astonishment over high bids, have quickly accepted what appears to be the inevitable as to rising costs and given the green light to contractors. As for industrial construction, new building is undertaken largely with an eye on modernized equipment and layouts, potential savings from which will reduce operating costs out of proportion to initial construction expenses.

How long it will take (*Please turn to page* 614)

Principal shortages of building materials are lumber, brick, bath tubs, millwork and soil pipe.





Packard

POST WAR PROSPECTS
for Aircraft Manufacturers

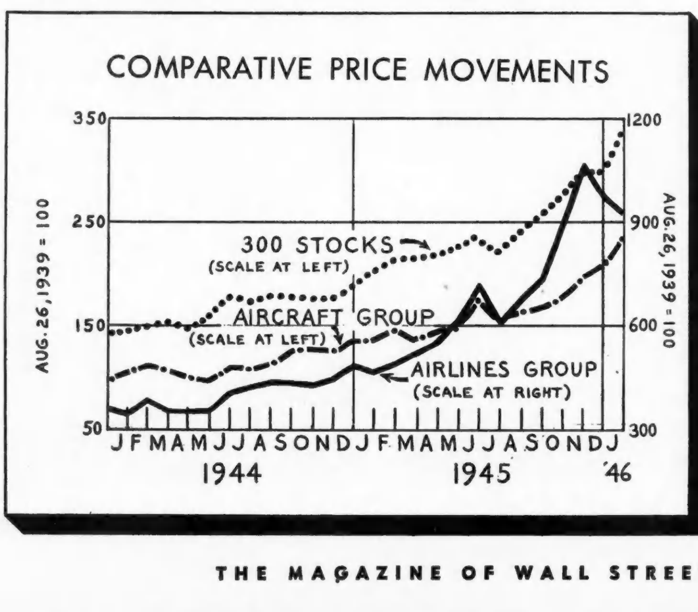
by Warren Beecher

DRASTIC retrenchment since V-J Day presents no cataclysmic problems, for the aircraft industry. As a result of widespread military cancellations, gross sales this year are certain to decline sharply. Most of the contraction in output will be in Government-owned plants, however, and net results should not be seriously affected. In fact, it seems quite possible that leading factors in the industry may fare almost as well profitwise as under war conditions. Reasons for the promising outlook may be briefly outlined as follows:

1. Military orders, though reduced to a peacetime basis, promise to hold at a level far in excess of that in any prewar year.
2. Civilian output, restricted for several years, should flourish at least for another two or three years.
3. Profit margins on commercial orders logically ought to be wider than on Government business subject to careful renegotiation.
4. Dropping of least desirable employees and elimination of overtime work have increased efficiency of workers to such an extent that operating costs have been greatly reduced.
5. Expiration of excess profits taxes promises to stimulate earnings importantly.

So many favorable factors would appear to present an especially promising outlook for 1946. But forecasting earnings and dividends in the aircraft industry is more difficult than in any other, however, because of the unusual nature of the business. Its development during World War II stamps the airplane as an instrument of warfare. Hence, every nation of importance already is busily engaged in improving the airplane's effectiveness as a military weapon. For American manufacturers, especially those whose engineering skill proved so successful in recent years, this means that a great deal of time and effort must be devoted to carrying out projects for the Army and Navy. Research in jet propulsion, for example, will be conducted on a vast scale.

The practical import, from an earnings standpoint, is that virtually all major companies will have substantial Government orders either for experimental work or for production of new type planes for the greatly enlarged armed forces. Hence, published reports and dividend policies are likely to be a matter of accounting procedure. If renegotiation practices continue in one form or another, they are likely to be sufficiently important in many cases to affect earnings. Moreover, net results may be subject to serious maladjustments by delays in reaching final settlements on costly experimental work. Past experience indicates that Government contracts of this description not always have been entirely satisfactory. Managements are hopeful, however, that



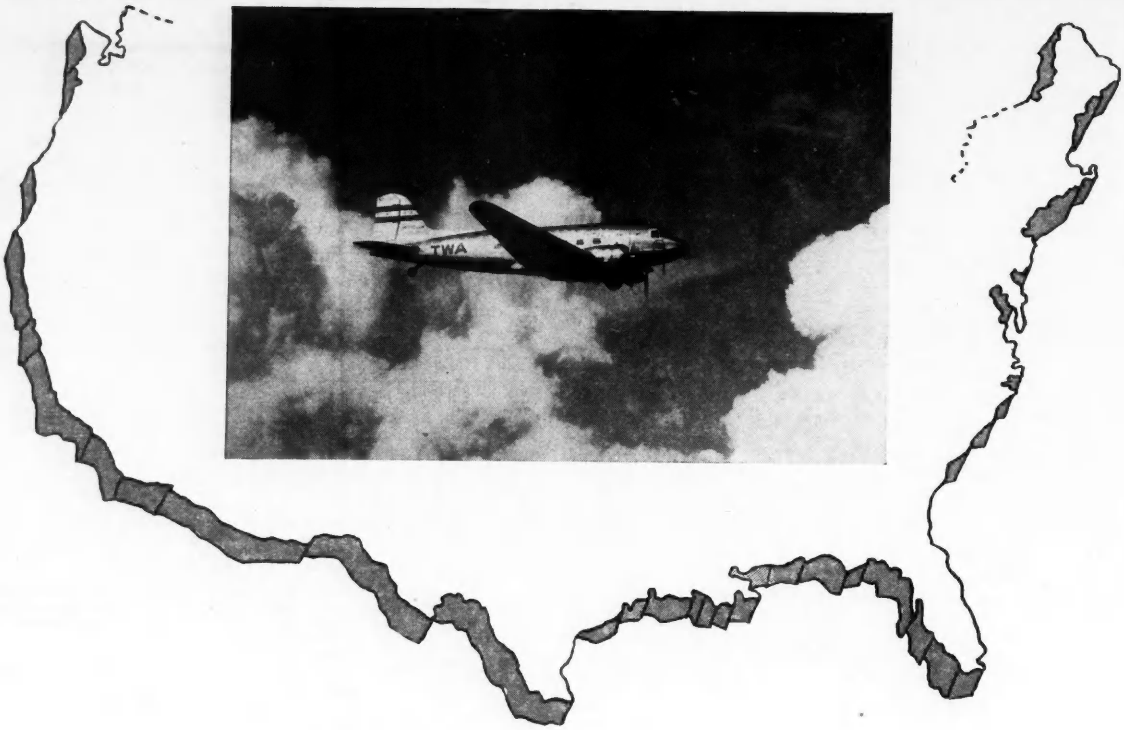
relationships developed during the war will be helpful in avoiding disturbing conditions.

Primary tasks facing manufacturers include rearrangement of production facilities to concentrate on civilian orders, reduction of employment rolls to an efficient number, settlement of Government contracts cancelled at the end of hostilities and disposal of unneeded plants and machinery. Considerable progress already has been made in this direction by principal factors in the industry. As a matter of fact, such companies as Douglas, Lockheed, Bell, Martin and Consolidated-Vultee had plans well advanced by the time fighting stopped in Europe. Boeing was so heavily committed to the B-29 program on which our success in the Pacific depended that this important (*Please turn to page 614*)

Position of Leading Aircraft Stocks

	In Dollars Per Common Share						Price		Invest-	
Company	1936-9 Av. Net	1941-4 Av. Net	1945 Net	1944 E.P.T.	1945 Div.	Recent Price	Earnings Ratio	Div. Yield	ment Rating	COMMENTS
Beech Aircraft	def .05	$4.88	$5.25 E	17.03	$1.00	$17	3.2	5.8%	C+3	Prospects uncertain for profitable production of civilian planes because of large surplus of military craft. Dividend speculative.
Bell Aircraft	.15	5.90	*	24.75	1.00(x)	32	....	3.1	C+3	Concentration on helicopter raises doubts over profit margins, but strong financial position appears hopeful for modest dividends possibly on same basis as in 1945.
Bellanca Aircraft	.11	.95	*	3.50	.50	7	....	7.1	C3	More intensive competition in small aircraft may have an adverse effect on operations and management apparently feels earnings may necessitate lower dividends than 50 cents in 1945.
Bendix Aviation	1.25	6.59	6.38(a)	27.20	2.75	56	8.7	4.9	B2	Enlargement of automobile accessory volume promises to offset decline in aircraft lines and tax relief should help earnings. Chances favorable for sustained dividends.
Boeing Airplane	def 1.13	4.87	*	24.77	1.00	31	....	3.2	B—3	Reconversion to civilian business involves reduction in income and higher expenses. With lower earnings in prospect temporarily, management may defer dividend resumption.
Con.-Vultee Aircraft	.66	7.53	*	34.64	2.00	32	....	6.2	B—2	Despite sharp decline in military business, outlook reasonably encouraging for dividends consistent with moderate earnings because of good civilian orders.
Curtiss Wright Corp.	.09	1.91	*	10.31	.50	10	....	5.0	C+3	Reconversion problems likely to be more intricate than for plane manufacturers. Further reduction in dividends would cause no surprise. Earnings outlook unsettled.
Douglas Aircraft	3.04	17.10	11.40(b)	38.55	5.00	93	8.1	5.3	B2	Civilian sales likely to be largest on record and, with tax relief, earnings should be adequate to warrant consideration of regular $5 dividend later in year. Lengthy record of profits.
Fairchild Cam. & Ins.	.71	2.77	1.84(a)	8.96	.50	15	8.1	3.3	C+3	Competition for civilian business threatens to reduce profit margins and may have adverse effect on earnings, but another modest dividend may be paid this year.
Grumman Air. Eng.	.93	5.26	8.73(a)	46.26	1.50	47	5.3	3.2	B—2	Favorable war record and outlook for naval orders give this company above average position. Same dividend as 1945 indicated. Alert management.
Irving Airchute	1.55	1.49	*	Not Avail.	.50	12	....	4.2	C+3	Sharp decline in military business may have adverse effect on 1946 earnings and resumption of dividends this year seems unlikely.
Lockheed Aircraft	1.29	6.33	3.04(a)	11.74	2.00	42	13.8	4.7	B—2	Rapid progress in reconversion to civilian transport output and favorable operating results suggest satisfactory earnings and continuance of $2 dividend rate.
Glenn L. Martin	2.11	4.58	4.25 E	41.04	3.00	45	10.6	6.6	B—2	Popularity of new transport and substantial airlines orders encourage expectations of good peacetime earnings and maintenance of usual $3 annual dividend.
No. Amer. Aviation	.69	2.19	*	9.98	1.00	15	....	6.6	C+3	Expenses incident in production of new civilian model and reduction in military orders likely to cause further drop in earnings, but strong financial position may warrant usual $1 dividend.
Piper Aircraft	.13(y)	.38	*	Not Avail.	.60	11	....	5.4	C2	Popularity of low priced small airplane and aggressive sales policy point to record volume this year, which may encourage hope of at least a small dividend.
Republic Aviation	def .61	1.91	2.55(c)	13.28	.50	17	6.6	2.9	C2	Favorable reception of new military and civilian models and large volume of reconversion of army transport planes should sustain earnings and dividend prospects.
Sperry Corp.	1.98	3.64	3.97(a)	15.22	2.00	38	9.5	5.2	B—2	Despite decline in Army and Navy orders, earnings should be sustained by better profit margins, especially on civilian business, and tax relief. Regular $2 dividend seems reasonable expectation.
United Aircraft	1.96	5.74	4.26(c)	15.14	2.00	35	8.2	5.7	B—3	Increased efficiency in operations and better cost controls should be helpful in maintaining earnings sufficient to cover dividends at 1945 rate.

*—No adequate basis for estimate.
(a)—12 months to June 30, 1945.
(b)—12 months to August 31, 1945.
(c)—12 months to September 30, 1945.
E—Estimated.
(x)—Plus 10% stock.
(y)—1938-9 Average.



Appraisal of Growth Potential of Air Transport

By WARREN BEECHER

AIR TRANSPORTATION, the outstanding wonder of a marvelous age, is on the threshold of a fabulous expansion. Freed from the fetters of wartime equipment shortages and roused by astonishing technological progress, this glamour industry is rapidly heading toward realization of the greatness foreseen by visionaries of an earlier decade.

No statistics are needed to support the contention that vast expansion lies ahead. Scarcely anyone who has had occasion to travel—or who has considered such a step—is unaware of the insatiable demand for plane accommodations. Notwithstanding a substantial increase in equipment since the end of hostilities in the Pacific, airliner seats still command a premium.

The industry experienced almost phenomenal growth last year, but extensions were small in relation to what is contemplated in 1946 and in the years immediately ahead. Authorized domestic routes were increased about 6½ per cent last year to about 67,000 miles, according to a compilation of Air Transportation Association. This gain was more than in the preceding three years, but it seems likely to be small in comparison with extensions slated for operation before the end of 1946.

The bright prospect does not necessarily infer, however, that major airlines managements look for a corresponding enlargement of net income. Capital expenditures for new equipment and increased costs arising from training new personnel promise to be substantial. Part of the higher costs will apply to operations and may lower net income in spite of enlarged gross revenues. Moreover, with the prospective growth phase likely to endure for another couple of years, managements presumably will feel inclined to keep dividend policies on a conservative basis.

Higher costs already have been encountered in preparation for extension of mileage. Aside from appropriations for new equipment, managements are spending large sums training personnel. Substantially higher wages now have to be paid because flying gradually is losing some of the glamour that previously attracted young men and women into the business. An indication of the trend in wages may be seen in the demand made by pilots for salaries ranging to $12,000 or $14,000 annually for domestic routes and as high as $21,000 a year for overseas service. As time goes on and the novelty of flying wanes, airlines must expect to adopt a higher pay scale all through the industry.

Substantial expenditures will be required for ground equipment and hangar facilities at principal

airports as new lines are placed in operation. Now that supplies of equipment are enlarging, approval may be expected on applications for establishment of new domestic routes. In other words, as the industry grows, costs of operation and maintenance tend to increase correspondingly.

It is too early to estimate results for individual companies, but in general, there seems little question but that gross revenues will register unprecedented gains this year. These may be most pronounced in cases of the largest companies such as American Airlines, Eastern Airlines, Transcontinental & Western Air, United Airlines and Pan American Airways. Some of the smaller companies which already have been authorized to extend their services appear certain to report exceptional growth this year. Lines in this group include Northwest and Penn-Central.

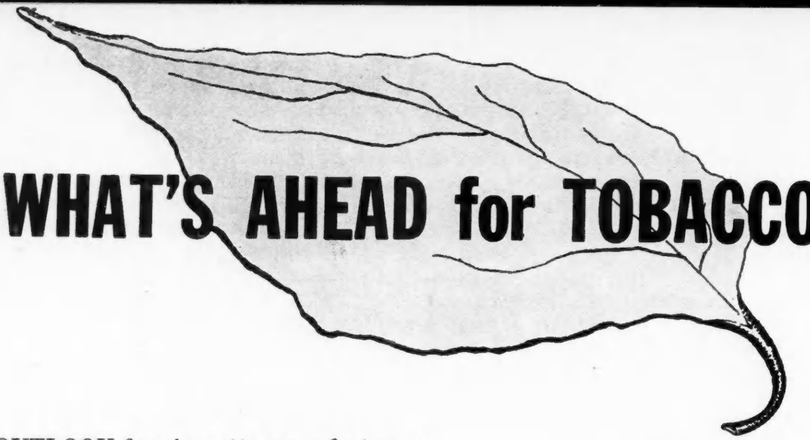
Interim reports early in the year seem likely to be misleading. Unusual expenditures incident to preparation for additional flight schedules and adverse weather conditions have combined to keep earnings in check. These conditions should take a turn for the better in the second quarter, however, and with additional equipment available, the airlines should experience almost sensational increases in business. When operations can be continued on a near capacity basis for a continued stretch, profits will mount rapidly. With the elimination of excess profits taxes, the major lines may be expected to give a clearer indication of potential earning power in the last half of the year.

Dividend policies are unlikely to have any uniformity. The larger, mature lines may feel disposed to increase distributions moderately if earnings meet present expectations. Managements of these well-established companies presumably would like to see their stocks gain greater investment quality that would accrue from divi- (*Please turn to page* 616)

Position of Leading Air Line Stocks

	In Dollars Per Common Share — 1936-9 Av. Net	1941-4 Av. Net	1945 Net	1944 E.P.T.	1945 Div.	Recent Price	Price Earnings Ratio	Div. Yield	Investment Rating	COMMENTS
American Airlines	$ .66	$2.79	$3.24(a)	Not Avail.	$1.00	$78	24.0	1.2%	B1	Promising outlook for increase traffic appears favorable for earnings expansion and possible increase in dividends late in the year.
Braniff Airways	.03	.50	.74(a)	None	.60	31	41.8	1.9	C+2	Although gross revenues promise to show consistent gains, growth prospects appear somewhat restricted and dividend policy likely to remain conservative.
Colonial Airlines	def.08	.14	....*	None	Nil	28	....	....	C+1	Additional equipment expected to permit considerable expansion in business of this small concern, but need for larger working capital likely to prevent dividends for time being.
Delta Air Corp.	.28(x)	1.39	1.38 Je	None	.50	57	41.3	.9	C+2	Expansion in traffic expected to contribute to enlargement of revenues, but earnings may be held back by considerably increased operating costs. Conservative dividend indicated.
Eastern Air Lines	.95	2.76	3.62(a)	6.10	1.00	107	29.5	.9	B1	Rapid growth of this leader expected to gain momentum and with excess profit tax relief substantial gain in earnings indicated. Increase in dividend possible after stock split.
National Air Lines	....	.21	.34 Je	None	Nil	30	88.2	....	B1	Expansion begun last year expected to continue bringing sharp growth in business volume and corresponding increase in earnings. Initiation of dividends may be warranted this year.
Northwest Air Lines	.35	1.54	1.35 Je	Not Avail.	.50	51	37.7	.9	B1	Full benefit of expansion to trans-continental basis likely to be shown in higher earnings this year. Need for additional equipment may bar increase in dividends, especially if new routes are added.
Pan-American Airways	.32	.68	....*	None	.25	25	....	1.0	B2	Extension of operations expected to result in large increase in revenues and at least moderate improvement in earnings. Much additional equipment needed. No further dividend indicated for 1946.
Penn-Central Air Lines	def.17	.69	1.78(a)	None	.25	40	22.4	.6	C+1	Substantial development of additional route mileage in prospect this year with beneficial affect on earnings. Rise in operating costs likely to keep dividends down.
Transcon. & West. Airl.	def.41	1.68	2.47(a)	None	Nil	62	25.1	....	C+1	Recent inauguration of regular flights to France indicates scope of expansion to be undertaken. Earnings improvement should justify dividend consideration on modest basis.
United Air Lines	def.10	1.93	3.07(a)	None	.50	49	15.9	1.0	B1	This company expected to keep pace with industry in business expansion. Larger earnings and possibly increase in dividend later in year seem reasonable.
Western Air Lines	.06	.56	.96(a)	None	Nil	29	30.2	....	C+1	Like others in industry, this company appears in line for increase in revenues and earnings. New equipment needs may defer dividnd consideration until nxt year.

*—No adequate asis for estimate.
(a)—12 months to September 30, 1945.
Je—Fiscal year ended June 30, 1945.
(x)—1938-9 Average.



WHAT'S AHEAD for TOBACCOS?

by Stanley Devlin

THE 1946 OUTLOOK for cigarette manufacturers, which comprise the major division of the tobacco industry, has both its favorable and unfavorable aspects. There will be no interruption in the growth of the cigarette industry, which has long been featured by an uninterrupted series of annual production records. The ability of leading manufacturers to translate record-breaking consumption into a relative gain in earnings, however, is the big question mark in the current prospect. It arises from the inadequacy of the present price ceiling on cigarettes and the answer is in the lap of OPA.

The price which manufacturers are able to charge for cigarettes is the same as it was in 1937, while in the meantime average prices of leaf tobacco have risen more than 90 per cent. This would seem to be a pretty convincing argument in favor of higher sales prices. At the present time OPA is making a study of the situation and has assured manufacturers that if it is found that current profits on net worth are not equal to those for the 1936-1939 base period, relief will be granted. In view, however, of the much publicized reluctance of OPA to give ground on prices, manufacturers are not too hopeful that a favorable decision will be made.

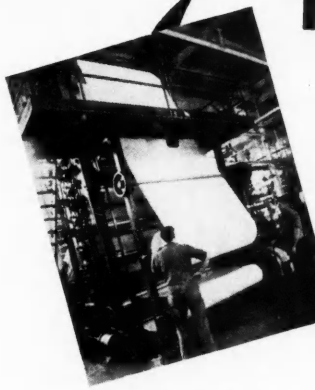
Unless some price relief is forthcoming in the near future, lower earnings for cigarette manufacturers are clearly foreshadowed. Philip Morris & Co., officially reported a substantial decline in earnings in each of the past three months, notwithstanding the fact that sales held near (Please turn to page 000)

Position of Leading Tobacco Companies

Company	1936-9 Avg. Net (In Dollars Per Common Share)	1941-4 Avg. Net	1945 Net	1944 E.P.T.	1945 Dividend	Recent Price	Div. Yield	Price Earnings Ratio	Investment Rating	COMMENTS
American Snuff	$3.20	$2.33	$2.05 E	$ .18	$2.00	$50	4.0%	24.4	B3	Earnings impressive on basis of stability rather than growth. Strong finances insure present dividend.
American Tobacco "B"	4.69	4.23	3.65 E	1.82	3.25	90	3.6	24.6	B—2	Company leads cigarette division. Any increase in present dividend will depend upon ability to advance prices.
Bayuk Cigars	2.90	3.41	3.35(a)	.94	2.00	43	4.6	12.8	C+2	Leading manufacturer of low priced cigars. Lower taxes this year should aid net.
General Cigar	2.20	2.11	1.38(a)	.85	1.25	35	3.5	25.3	C+2	Output is principally low priced brands, on which profit margin is relatively favorable. Current dividends should equal $1.25 paid in 1945.
Helme, G. W.	6.16	4.26	3.80 E	None	4.00	86	4.6	22.6	B2	Strong finances, rather than current earnings prospects support security of dividend.
Liggett & Myers "B"	6.45	4.64	4.30	2.22	3.50	96	3.5	22.3	B2	Company is making a strong competitive bid and further sales expansion indicated. Recent rate of dividends should be maintained.
Lorillard	1.46	1.43	1.25 E	1.89	1.00	29	3.4	23.2	B2	Removable of excess profits taxes will aid in offsetting narrow margin of profits this year. Earnings could show good gain with OPA acting favorably. Present dividend not likely to change.
Philip Morris (S)	2.90	3.50	2.97 Mr	.74	2.25	57	3.9	19.1	B—2	Recent earnings sharply lower and emphasize difficulties in maintaining current profit margins.
Reynolds Tobacco "B"	2.67	1.97	1.89	None	1.60	41	3.9	21.7	B2	Company in second place and may strengthen position with larger supplies available to civilian markets. Dividend secure but earnings prospects contingent on favorable OPA action.
U. S. Tobacco	1.88	1.34	1.10 E	None	1.20	29	4.1	26.3	B—3	Earnings prospects comparatively drab, but strong finances may justify continuation of present dividends.

(a)—12 months ended September 30, 1945.
E—Estimated.
Mr—Fiscal year ended March 31, 1945.
Je—Fiscal year ended June 30, 1945.
(S)—All figures adjusted for 2-for-1 split July, 1945.

TODAY'S OUTLOOK for PAPER STOCKS



Keystone

by PHILLIP DOBBS

PROSPECTS of a continued sellers market throughout 1946 brighten the immediate outlook for the paper producers generally, and as reconversion problems have been a minor factor, leaders in the industry are in a particularly favorable position to make the most of their opportunities. In view of differing handicaps and advantages which may alter potentials for the various segments of the industry and their component units, a brief examination of the situation should prove constructive to investors.

Prior to the war, few if any experts could have foreseen the enormous military demand which developed for the utilization of paper and pulp products in one form or another. Between adaptation for parts used in construction of planes, equipment, ammunition, ships and containers to service armies on a two-ocean front, it is estimated that in some 700,000 ways the industry contributed importantly towards the winning of victory, while still supplying a restricted measure of civilian demand. Financial rewards for these activities were substantial although held to moderate limits by price controls and taxes; thus the industry is in excellent shape to tackle a latent civilian demand far above prewar dimensions.

At the start of 1946, the industry finds itself freed of all Government controls except pricing and inventories, with operations increasing in volume despite the impact of heavy *(Please turn to page 609)*

Position of Leading Paper Company Stocks

Company	In Dollars Per Common Share: 1936-9 Avg. Net	1941-4 Avg. Net	1945 Net	1944 E.P.T.	1945 Dividend	Recent Price	Price-Earnings Ratio	Div. Yield	Investment Rating	COMMENTS
Champion Paper & Fib.	$1.39	$3.55	$2.07 Ap	$7.99	$1.25	$48	23.1	2.6%	B2	An integrated large maker of book paper and fluid containers, well established in its field. Good earnings and tax relief may increase dividend rate.
X Container Corp. of Am.	1.53	2.84	2.32 (a)	9.10	1.50	42	18.1	3.5	B2	Largest maker of paperboard products. With ample working capital and no senior securities, equity shares enjoy assured dividend and good prospects.
X International Paper	.10	3.07	1.91(a)	10.26	Nil	46	24.2	.....	C+2	Principal producer of paper in the world, with large subsidiaries in Canada. Consistent debt retirement, improved earnings lend appeal.
X Kimberly Clark	3.06	3.69	3.26(a)	3.66	2.00	65	19.9	3.0	B2	Leading integrated producer of fine paper wadding and book paper. Buys some pulp from outside. Expanded facilities favor earnings uptrend. Dividend safe.
Scott Paper	2.21	2.16	1.98(a)	.47	1.80	57	28.5	3.1	B2	Leading manufacturer of paper towels and tissues. Dividend not widely covered but probably secure.
X Sutherland Paper	2.48	2.69	2.12	4.22	1.35	40	20.2	3.4	B2	One of largest makers paraffined cartons with long record steady earnings. Tax relief will widen profit margins. Liberal dividend well assured.
X Union Bag & Paper	1.10	1.32	1.43(a)	3.35	.85	26	18.1	3.2	C+2	Largest producer paper bags. Profit potentials enhanced by heavy prospective volume, strong finances. Dividend certain.
W. Va. Pulp & Paper	.66	2.35	1.63 Oc	Not Avail.	1.00	40	24.5	2.5	B—2	Chief producer white paper with large output Kraft. Promising outlook. Debt retirement and enlarged working capital enhance dividend continuation.

Ap—Fiscal year ended April 30, 1945.
Oc—Fiscal year ended October 31, 1945.
X—Issues regarded as having above average potentials.
E—Estimated.
(a)—12 months to September 30, 1945.

Opportunities...

for Income and Appreciation

IN BONDS And PREFERRED STOCKS

By Jackson D. Norwood

THE MAGAZINE OF WALL STREET's index of bond prices showed the following changes during the period indicated:

	On Jan. 26	On Feb. 2	
40 Domestic Corporates	124.7	124.9	+.2
10 High Grade Rails	119.4	119.9	+.5
10 Second Grade Rails	296.6	296.9	+.3
10 High Grade Utilities	99.9	99.6	——
10 High Grade Industrials	105.6	105.2	—.4
10 Foreign Governments	131.4	131.4	——

Led by both the High Grade and Second Grade rail groups, our index of 40 domestic corporate bonds again extended its gains into new high ground. Further confirmation of the great pressure of liquid investment funds seeking qualified mediums is the avidity with which new offerings are promptly absorbed and which within a comparatively short time are quoted on a yield basis equal to that of more seasoned issues. The effect of these conditions on the trend of bond yields is astonishing, to say the least.

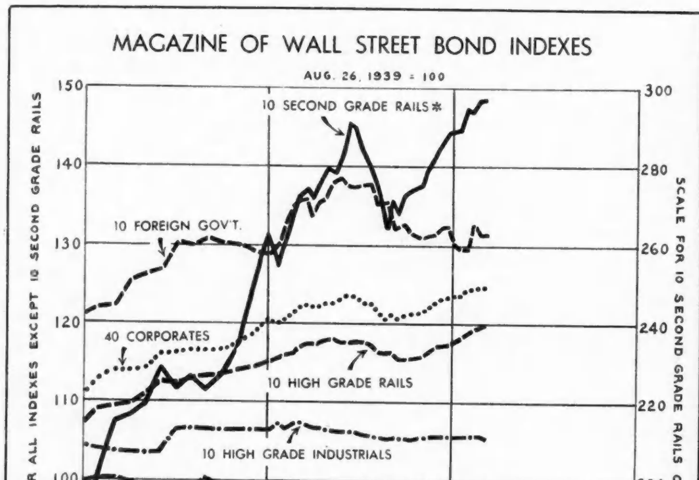
A recent offering of $4.5 million first mortgage bonds carrying a 2½% coupon and due in 1976 by Madison Gas & Electric attracted such keen competition among investment bankers that the winning bid was made at 101.56, and netted the company the lowest cost for a long term issue in the history of American finance. Right on the heels of this offering Union Pacific received a bid of 107.789 for an issue of $44,493,000 2⅞% debentures maturing in 1976. On this basis the cost to the road is less than 2.51% annually, a record low for a major piece of railroad financing.

Some Government action may be forthcoming designed to secure broader distribution of Federal securities in the hands of the public but the probabilities are that such action will be neither drastic or have more than a passing effect upon the general level of corporate bond prices. Following the repeal of the excess profits tax on January 1, last, it was generally expected that this would mark the end of large scale refunding operations, but the subsequent further decline in interest rates may well prove sufficiently inviting to corporate fiscal managers to bring about a sizable revival in the coming months—and a further decline in the individual investor's income yield.

LEHIGH VALLEY COAL CORP.: The new recapitalization plan of this company is to be voted on February 25th. Arrears on the preferred stock on January 1st amounted to $42.75 per share. It is expected that the new plan will be approved. It provides that each share of the present outstanding 6% $50 par value cumulative and convertible preferred stock will be exchanged for the following securities and cash:

1. 1 share of $3 1st pfd. stock, entitled on liquidation to $50 and redeemable at $55 per share, without par value and with a declared value of $40 per share.
2. 1 share of 50c 2nd pfd. stock, entitled on liquidation to $32 and redeemable at $32 per share, without par value and with a declared value of $5 per share, and entitled to benefits of a sinking fund.
3. 1 share of common stock.
4. $7.50 in cash.

The two new classes of preferred stock to be cre-



ated will be on a cumulative, if earned, dividend basis and will rank ahead of the present preferred as to dividends and on liquidation. It is the intention of directors when the new plan becomes effective, to declare and pay in 1946 out of earnings of 1945, an initial dividend of $3.00 on the new first preferred and 50 cents on the new second preferred and a dividend of $3.00 on the then outstanding non-assenting present preferred stock. It is proposed that 25% of net income above all preferred dividend requirements will be set aside in a sinking fund provided for the 50c second preferred stock. Report of earnings for the eleven months ended November 30, 1945, showed $4.38 on the preferred stock. Earnings for 1946 are expected to be better due to advancing prices late in 1945. The company has a strong financial position and total current assets as of November 30, 1945, amounted to $12,150,232 of which $9,314,190 was in cash and U. S. Government securities, as compared with total current liabilities of $3,340,401, a ratio of 3.6 to 1. Cash items, alone, were 2.7 times total current liabilities. The present preferred stock is traded in on the New York Stock Exchange and has had a price range in the past year of High 60; Low 35⅝; Recent 56. While the preferred stock must be considered as speculative, the package of cash and securities to be received under the new plan could ultimately have a total value of from $65 to $70 per share on the present preferred stock. It is recommended as a speculation around current market price for appreciation and income. Present preferred stockholders are counseled to accept the new plan.

CROWN ZELLERBACH CORP. NEW PREFERRED STOCK: This company has registered with the SEC its new $4.20 cumulative 1st preferred and $4.00 cumulative convertible 2nd preferred stocks. The $4.20 cumulative 1st preferred stock is callable as a whole or in part at any time to September 1, 1950, inclusive, at $105 and at $102.50 per share thereafter, plus dividends. This new $4.20 1st preferred stock is traded in on the New York Stock Exchange and has had a price range of a High of 112; Low 106¼; Last 109, or four points above the call price. Inasmuch as this company has a strong financial position, we would caution our readers not to pay a premium of 4 or 5 points above the call price. The new $4.00 2nd preferred stock has had a price range of High 124; Low 115; Last 121½. This stock appears the more attractive of the two issues on account of its convertible feature which provides that it may be converted into common stock on the basis of 3¾ common shares to September 1, 1948, inclusive, and on a descending scale thereafter. This issue is callable at any time to September 1, 1948, inclusive, at $106.50 and at $102.50 per share thereafter, plus dividends.

Bonds and Preferred Stocks Called for Redemption

BONDS

Issue	Amount	Price	Redemp. Date
Int'l Paper rfdg. s. f. 6% March 1, '55 "A"	$9,350,500	105	March 1, 1946
Eversharp cum. cv. inc. debs. 4½% May 1, '65	$1,250,000	107+Int.	Feb. 23, 1946
Atlantic Ref. deb. 3% Sept. 1, '53	$25,000,000 (Entire Issue)	101½+Int.	Feb. 15, 1946 (Prepay. offer)

PREFERRED STOCKS

Issue	Amount	Price	Redemp. Date
Allis Chalmers 4% cum. cv.	Entire Issue (176,860 shs.)	$104+$1 div.	March 4, 1946
Carrier Corp. 4½% cum. cv.	Entire Issue (63,990 shs.)	$54+.28 div.	March 14, 1946 (also immediate payment)
Con. Vultee $1.25 cum. cv.	Entire Issue	$27.50+.31¼ div.	March 1, 1946
Cuneo Press 4½% cum.	Entire Issue (19,110 shs.)	$105+.83 div.	February 21, 1946
Piper Aircraft .60 cum. cv.	Entire Issue	$12+.14 div.	February 25, 1946
Compo Shoe Mach'y $2.50 cum. cv.	Entire Issue (10,000 shs.)	$52.50+div.	March 15, 1946
Wilson & Co. $6 cum.	Entire Issue	$100+$1.82 div.	Feb. 20, 1946 (Prepay. offer)
Bucyrus Erie 7% cum.	10,000 shs.	$120+div.	April 1, 1946
Schulte (D. A.) $5 cum. cv.	Entire Issue (24,600 shs.)	$100+$1.87½ div.	March 15, 1946 (Prepay. on or after 2/15)

INVESTMENT RECOMMENDATIONS . . . On pages 576-77 of this issue there appears a discussion of the problems faced by income investors as a result of the decline in the yields on bonds and preferred stocks. Accompanying this discussion there is a tabulation of bonds, preferred stocks and common stocks qualified for general investment funds at this time.

COLUMBIA PICTURES CORP.: On January 21st, stockholders approved the issuance of 75,000 shares of no par, $4.25 cumulative preferred stock, bearing non - detachable warrants for purchase of one share of common stock for each share of preferred stock. The stockholders also voted to eliminate from company's capitalization the present $2.75 convertible preferred stock, if and when such stock shall have been called for redemption through issuance of new preferred stock. Warrants expire January 15, 1952, but may be extended on at least 60 days' notice to not later than January 15, 1956.

COMMONWEALTH EDISON CO. CONVERTIBLE DEBENTURES, 3½% SERIES DUE 1958: All of the outstanding convertible debenture 3½% series are being called on March 9, 1946. Attention of the holders of such debentures is directed to the fact that under the provisions of the debentures, such holders have the right, notwithstanding such call, at any time up to the close of business on March 4, 1946, to convert their debentures at the principal amount thereof into fully paid and non-assessible shares of the company at the conversion price of $25 per share, i.e., at the rate of 4 shares for each $100 principal amount of each debenture.

D. A. SCHULTE INC. The company has called for redemption on March 15th all of the outstanding preferred stock at $100 a share. Preferred stockholders have until March 11th to convert their holdings into common stock of D. A. Schulte at the rate of one preferred share for sixteen shares of common.

EDITORIAL

THE POINT OF VIEW

SOME men aspire to exceptional attainments and success; others are satisfied with average results, just getting by with the least possible effort. Aspirations can be a powerful driving force, carrying you to the very top of your business or profession, for success, by whatever yardstick it is measured, is the end-product of one's ambitions.

The point of view you bring to your work can make a lot of difference.

Two men were laying bricks along an unfinished wall, when an inquisitive stranger approached and asked what they were doing. With some impatience, and obvious indifference, one man replied, "Laying bricks." The other man, with undisguised pride, said, "I am building a cathedral."

It is not hard to guess which of these men were doing the best job, which derived that inner glow of satisfaction, and which would be most likely to ultimately achieve real success. One man looks upon himself as an artisan, regarding his job as an important stepping stone toward the attainment of his hopes and ambitions. The other man, lacking ambition and force, considers his work merely as day to day drudgery, looking no further ahead than this week's pay envelope.

Probably at no time in history were the opportunities for success as great as they are today. Great strides in new technological and scientific applications, under the impetus of war, will create literally millions of new jobs and opportunities. These opportunities will mean success and prosperity for the young men who "build cathedrals," while those who only "lay bricks" will be left by the wayside.

ANSWERS TO INSURANCE *Inquiries*

By EDWIN A. MULLER

Annuity Problem

Insurance Editor: I have read your January column with much interest and it has actuated me into writing this letter. I am 68 years of age and not confronted with any posterity. It is a very long time since I tentatively convinced myself that if I ever attained to the age of 70, I would do well to hand an insurance company $20,000 (thereby just about shooting the whole works) for an annuity as a hedge against an inevitable and perhaps expensive senility.

One of my grandfathers stood up well until about 90; the other passed over at 31 and I have no inclination to pore over actuarial tables. They are all right in the abstract, but in the concrete I am unable to take them seriously. Consequently I will greatly appreciate your analysis and information as to the following:

If I should, at 70, pay an insurance company $20,000, what would it buy me?

How much would the figure differ if I were to do it now at 68?

What if I paid now, annuity to commence at 70?

Would $25,000 automatically mean an increase of 25% in annuity?

If the above would mean no return in the event of early death, what alternative proposition can you advise me of? I cannot leave anything to a near relative, but I could easily think up a nice youngster whose education a dozen years from now. I would be gratified to assure.

I.H.G., Portland, Ore.

I AM glad to learn of your interest in my column appearing in the January issue of this Magazine.

Based on your present age of 68 you could obtain a monthly income of $140.00 per month without refund and $101.80 monthly with installment refund. This is based on a deposit of $20,000. If the same rates were obtainable based on age 70 the income would be $151.20 without refund monthly and $107.00 monthly with refund. On the other hand if you paid the premium, namely $20,000, now and deferred the income until you were 70 you would be able to obtain on the refund plan approximately $110.00 per month and on the non-refund plan $170.00 per month.

Keystone

"Annuities are a hedge against the inevitable and perhaps expensive senility."

All of the above incomes are payable throughout life. These quotations are rates of one of the larger companies.

As you have stated in your first paragraph, the annuities certainly would be a hedge against the inevitable and perhaps expensive senility.

In one case the question is "How soon will I die?" and the other is "How long will I live?" They both are the same question and while no one can answer it with a certainty for a single individual, the Mortality tables make it possible for insurance companies to answer this question for large groups. Because of this fact, companies writing annuities can agree to make payments to individuals during their lifetime, knowing that the greater total sum paid to those who live a long time will be balanced by the smaller total sum paid to those who die, within a few years.

In the refund annuity rates previously quoted, the income of course is guaranteed for life, but it is further stipulated that the unpaid balance of the purchase price will be returned in the event of early death. Of course the yield is necessarily lower in such a contract as the figures above indicate.

In the event of your living a greater than normal life you would receive an income which includes three components.

1. Your capital is paid back in installments which are small at first becoming larger later.
2. Interest on the balance of the capital in the hands of the company is large at first and then decreases as the capital decreases.
3. In addition, the remaining capital and interest of those who do not live a normal lifetime is used to continue payments to longer-lived individuals. (*Please turn to page 616*)

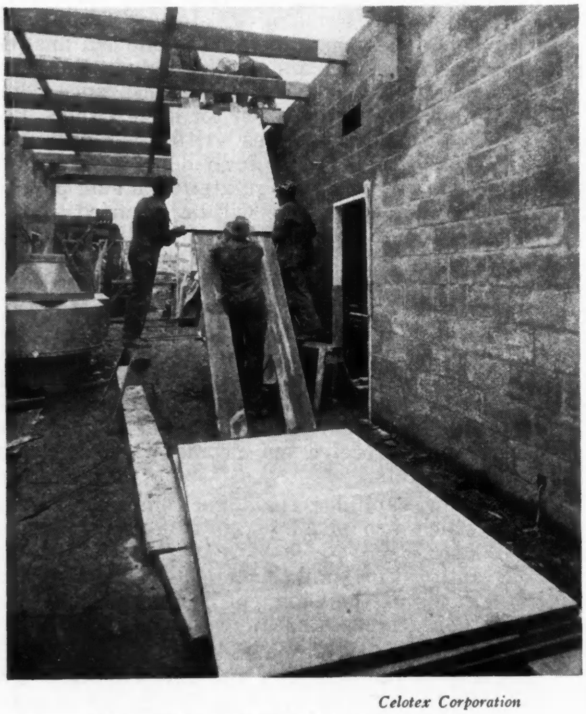
A SUBSIDY for VETERANS' HOMES

By Joseph E. Cummings

REGARDLESS of what is done to break the log-jam in the construction of new homes, the returning veteran may derive a modicum of consolation from the fact that in all plans which have thus far been proposed he is given a AAA priority. The latest program to be suggested goes even further and proposes to grant a direct subsidy to the veteran who is able to satisfy the authorities that he needs aid in obtaining good living conditions.

This proposal is embodied in a memorandum submitted by the National Association of Real Estate Boards to Wilson Wyatt, President Truman's Housing Expediter, and to the Banking and Currency Committee. Whatever ax the Association may have to grind, it cannot be denied that they are as interested in relieving the housing shortage as the prospective buyers and residents are.

Pointing out that the materials which go into the construction of a home have risen in price from 30 to 60 per cent, the Association does not favor a subsidy to builders and suppliers but advocates the granting of a subsidy to \$500 or \$1,000 to any veteran needing it. The subsidy would take the form of credit to be used either in financing the purchase of a home or applied to rent payments over a period of 24 months. In addition, it is proposed that priority be given veterans on existing rental property where an eviction is justified by the conditions of a lease, and that low income veterans be given an opportunity to occupy public housing units now occupied by families with higher incomes than specified by the restrictions for such projects.



Celotex Corporation

Veterans have top priority on new homes

As additional impetus to new construction, the memorandum recommends that all restrictions on wages, materials, sales prices and rents (on new construction) be suspended for six months. During this "holiday" profits would be limited to 10 or 12 per cent as an arrest to profiteering. To restrict speculation there could be no resale at an increased price for a period of one year after the original sale.

This proposal may do all that its sponsors claim for it and veterans in dire need of new homes may be benefited but the writer (a veteran of two World wars), cannot help feeling that it embodies a principle which many veterans will find distasteful, if indeed they do not reject it entirely. By including a veteran's subsidy in their proposal the Association lays itself open to the charge that they are merely using the veteran as a catspaw to promote their plan for a "holiday" on price restrictions. There is no intention here to impugn the integrity or sincerity of the proposal. As a matter of fact it has considerable merit but the inclusion of the veterans' subsidy looks too much like a timely, but ill advised, bit of "sweetening."

The present housing shortage has many of the aspects of a national disgrace and returning veterans have been most articulate in voicing their complaints—some even to the point of bitterness—but it is questionable that any but a small minority are seeking a Government "subsidy." The average veteran regards gratefully the willingness of his Government to help him finance a new home and give him a priority when they are available. But the average veteran is also a pretty sensible person and after he has had a chance to size up the situation he realizes that the housing shortage may impose an equal hardship on the civilian, through no fault of his own. He is also sensible enough to realize that loans and priorities are something which may easily get him into deep waters financially, and he is not going to rush in and borrow money for a new home simply because it is available to him, practically for the asking.

Compelled by the force of circumstances some veterans will take advantage of this type of assistance. But most veterans will prefer sounder methods in financing their homes. The prime need is more small homes, public housing and apartments, to state the obvious, but an outright subsidy for veterans is not the answer.

WORKING CAPITAL for a SMALL BUSINESS

by William A. Howell

Keystone

Adequate working capital is a vital asset to small business.

WHEN he was a young man, a vice-president of one of the nation's leading banks undertook a venture into a small business of his own. It was a failure — and some years later he confided the reasons why:

1. Too little experience
2. Too little working capital
3. Too little sense to listen to advice

It is no exaggeration to say that one or more of these deficiencies account for nine out of ten of the failures in small business. The mortality rate among small business is extremely high. Of new enterprises which are born every year, nearly one-third of them are forced to close up shop before their first birthday, while 53 per cent last less than three years.

Of the three reasons cited above, previous discussions by this writer have stressed the risks of setting yourself up in a business with which you are unfamiliar and had no previous experience. And if you are reader of these articles that is proof sufficient that you are willing to "listen" to advice. The matter of working capital, however, may not be fully understood by many young businessmen, and it is one which is frequently neglected by even more experienced businessmen.

Fixed capital is that part of the money invested in a business used to purchase land, buildings, equipment and fixtures. Working capital, on the other hand, is the operating capital of a business and is used for paying salaries, wages, for the purchase of inventory and supplies and to extend credit to customers. It is as unwise to attempt to operate a small business with insufficient working capital as it is with inadequate tools and equipment. It is also equally unwise to attempt to finance yourself without recourse to outside assistance, particularly if it means mortgaging your home or borrowing against your insurance policy. This is where your local bank can be of invaluable assistance to you.

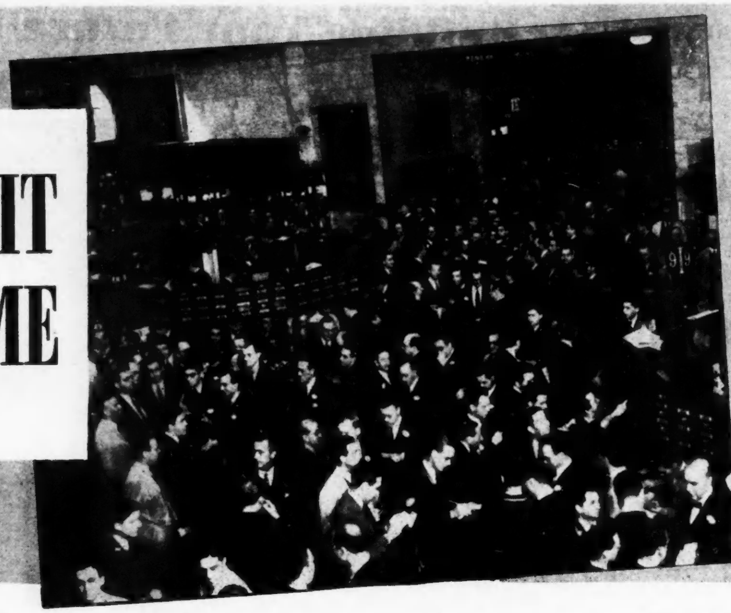
At the very outset of your business career make a point of establishing business relations with your community bank. This is not done by merely opening a checking account. Introduce yourself to one of the bank officials, tell him what you are planning to do, and indicate your willingness to listen to any suggestions which he may wish to make. Remember this—the average community banker, notwithstanding the elaborate trappings with which he may be surrounded, is also a small business man, and if he is worth his salt he is vitally interested in your welfare as a customer of his business.

Once you have made the acquaintance of your banker consult him freely and be frank in laying your problems before him. He will not betray your confidence and the more he knows of your business problems the more effective will be his advice and assistance.

Your banker deals in money and figures. If you would gain his respect and confidence, therefore, be certain that you have set up a sound and adequate bookkeeping system for your business. Not only will this impress the bank favorably, but of equal importance, you will always know exactly where you stand. Regardless of the type of business which you may be planning you will have to have a system of accounting which will reveal at all times exactly what everything costs, how much you have on hand, and what you are selling your merchandise or services for. Set up a budget and an inventory control. And if you are unfamiliar with simple bookkeeping and accounting practices, call in an accountant. It will be worth much more to you than the moderate fee it will cost. Another thing which is certain to add to your stature in the eyes of your banker will be your ability to show him that you and your business are adequately covered by insurance.

With the figures of your business before him, your banker is in a position to judge at once not only whether you need additional credit, but whether your business can support it. He will also know what type of loan to suggest to you. There are a number of different types of loans, designed to meet specific needs, and these will be discussed in an early issue.

FOR PROFIT And INCOME



Stock Splits Ahead

Over the past six or seven months about 40 publicly-listed companies have split their common stocks. Unless this market takes a real nose-dive there are many more splits coming. The purpose is to "popularize" the stock. It may need that treatment because the market price is too high to interest typical investors, or because the company is not as widely known to investors as it would like to be, even though its shares are far from the Blue Chip price zone. Only "insiders" know for sure when a split is coming up, and they do not broadcast this profitable knowledge. Here, however, are some stocks which might be logical candidates for splits: Distillers Corp. - Seagrams, Hiram Walker, duPont, Eastman Kodak, Montgomery Ward, H. L. Green, Associated Dry Goods, Reliance Manufacturing, Eastern Air Lines, American Home Products, Paramount, Beatrice Creamery, Bigelow - Sanford, Bohn Aluminum, Chrysler, Dow Chemical, Food Machinery, Johns - Manville. We guarantee none of them, but would guess that the majority of this list will be split during 1946.

"Accidents"

Only the fact that it had some financing on the fire caused Philip Morris to reveal that its earnings had declined sharply over the past several months. The stock then broke over 20 points in a few days. Other tobacco issues declined moderately. Previously this department had recommended profit-taking in American Tobacco, excepting for those willing to hold it on a long-term investment basis despite its currently restricted market promise. The cigarette situation is snarled up in an OPA price - profit squeeze, which might be uncomfortably protracted if OPA powers are extended beyond next June 30. Also, these companies have largely expanded debt in recent years to finance huge high-cost inventories of leaf tobacco. A decline in tobacco prices would be an adverse investment consideration, even though inventories are figured on a 3-year average basis. The Philip Morris thing is the kind of "accident" that can be expected to happen to quite a few stocks in the upper ranges of a bull market when it develops that, for one reason or another, earnings are much below what had previously been anticipated.

INCREASE IN EARNINGS SHOWN IN RECENT REPORTS

		Latest Period	Year Ago
Western Auto Supply	Year Dec. 31	$3.62	$1.73
A. E. Staley Mfg. Co.	Year Dec. 31	4.96	3.91
Warren Petroleum	3 mos. Dec. 31	.74	.60
Carpenter Steel	3 mos. Dec. 31	.99	.62
Black & Decker Mfg.	3 mos. Dec. 31	1.27	.60
Sun Oil	Year Dec. 31	4.44	4.15
Public Service of Colorado	Year Dec. 31	2.53	2.23
Consolidated Edison	Year Dec. 31	1.74	1.70
United Merchants & Mfrs.	6 mos. Dec. 31	3.48	2.30
Texas & Pacific	Year Dec. 31	15.94	6.80

Another One

Some time ago we listed Indianapolis Power & Light as among the utilities subject to largest savings from repeal of the excess profits tax. Although we expected voluntary rate cuts, since earnings otherwise would exceed $4 a share, it seemed reasonable to believe enough of the gain would go to net to permit an increase in the $1.20 dividend, since payments considerably higher than this had been made before the war. However, politicians do not give a hoot about the take-home "pay" of utility stockholders. The Governor of Indiana has demanded rate cuts,

for all utilities in that state, which would more than offset all benefits from EPT repeal. The compromised outcome might not be as bad as the present threat looks, but Indianapolis Power & Light has declined about 5 points from year's high of 34½; and if the $1.20 dividend can not be raised the yield is only about 4%, and the prospect for appreciation would be quite limited. We must withdraw our favorable comment on the stock, thanks to the Governor of Indiana.

Revision

We have liked Paramount Pictures but frankly confess we had not expected it to climb up to the vicinity of the Blue Chip class. It appeared that earnings might be somewhere around $6 a share on the present lower tax basis, and movie earnings have not been very highly valued in the past. However, the grapevine has it that Paramount is currently earning at an annual rate of $9 to $10 a share. The stock's action around 70 on a $2 dividend suggests that some good news is coming—probably a sharply increased dividend, perhaps in conjunction with a split of the shares. In few fields has the inflation of national income had such a startling beneficial effect upon earnings.

Still Booming

January retail trade showed no more than the usual seasonal decline, with the year-to-year percentage gain continuing at about the December pace. Merchants themselves are amazed at the figures. What would they be if the stores had adequate stocks of clothing, house furnishings and hard goods? We suspect this situation may still be under-rated. Practically everybody we know needs things. The impact on retail trade might be even more terrific for a couple of years than the market has yet allowed for. The supply situation must surely be improved as the year proceeds, in ample time for the heavy November - December demands. This department is raising its guess - estimate on 1946 Allied Stores earnings to around $9 a share (stock now selling at 53); and thinks its previous projections for most other retail stocks are also more likely to err on the under side than not. Measured against pre - war "normal," if there is any such things, these stocks are far from cheap. But as we note the current prices of steels, movies, liquors, building stocks, etc.—and remember how free merchandising is from special problems which complicate earnings projections—we have to come back to the thought that, on a relative basis, they should still be among the most promising issues to hold for the further phases of this bull market, ignoring interim reactions.

Oils Lag

The market is not always right in its medium-term view of the outlook for given industries. Some months ago it was said here that there would certainly be an oversupply of refined oil products for a considerable time after the war, with adverse effect upon earnings. When oils nevertheless rose to new highs, we stated that the market apparently had decided to ignore the interim problems and emphasize the bright long term outlook. Now that price cuts in gasoline have broken out in some areas, and threaten to spread, the oil group has backed away from their highs considerably. The writer continues to believe that oils, in most cases, hold below-average potentiality of price appreciation for the next year or so.

Home Equipment

Studies by Westinghouse Electric put demand for electrical items at about $4.5 billion annually for the next five years. Home appliances are to account for some $2 billion of this, the rest deriving from expansion of electric generating and distributing facilities, wiring in new building, exports, etc. In the home appliance field, the volume outlook is better than the long term profit outlook. Costs are up sharply, and in no other industry will there be so much new competition, much of it powerful in finances and plant facilities.

Labor Costs

In these days of kiting wages the ratio of labor costs to sales is coming in for increasing investment attention, as it should. But comparisons of this kind should be interpreted with unusual care, lest they lead one to erroneous conclusions. If other things were equal, one would naturally prefer stocks of companies with the lowest wage ratios — but other things are never equal as between stocks in different industries. For example, meat packing has probably the lowest ratio of wages to total sales of any major industry, but that does not make the stocks attractive, for this industry also has one of the lowest margins of profit per dollar of sales. The ability to pass along or get around increased wages, in one way or another, is the more pertinent consideration. As a rule, it is generally greatest in manufacture of finished goods and retailing.

Bullish

Often a stock which looks high at a given price is seen to be reasonable when the dividend is raised. The upward trend of dividends is probably the most bullish single 1946 consideration. Although it should be much more emphatic in the closing months of the year, it is at least in motion now. A few of the more prominent companies which have recently liberalized payments are Borden, General Foods, American Rolling Mill, Best, Atlantic Coast Line, Butler Bros., and Container.

DECREASE IN EARNINGS SHOWN IN RECENT REPORTS

		Latest Period	Year Ago
Parker Rust Proof Co.	Year Sept. 30	$1.64	$1.87
Atlantic Refining Co.	Year Dec. 31	.72	6.68
John Morrell & Co.	53 wks. Nov. 3	2.58	5.03
Southern Pacific	Year Dec. 31	9.48	11.09
Continental Baking	Year Dec. 31	.83	.95
Sutherland Paper	Year Dec. 31	2.12	2.47
Transue & Williams	Year Dec. 31	2.17	2.54
American Steel Foundries	3 mos. Dec. 31	.12	.51
Delaware & Hudson	Year Dec. 31	.99	11.35
Dresser Industries	Year Oct. 31	1.81	4.50

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities;* one request per month.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Puts, Calls and Straddles

Will you please explain what puts and calls are?

—*B. E., Salem, Oregon*

Options are in general of four kinds: "puts," "calls," "Straddles," and "spreads." A put is a contract giving the buyer the option to put, i.e., deliver, to the seller of the option, on or before a specified date, a stipulated number of shares at the price named in the contract.

A call is a contract giving the buyer the option to call, i.e., receive from the seller of the option a stipulated number of shares at the price, named in the contract, on or before a specified date.

A straddle is a combination of a put and a call at the same price. The buyer may exercise either part of the privilege. A spread is a combination of a put and a call at different prices. The buyer may exercise either privilege, singly, if he so desires.

A good demand exists for puts and calls, particularly from traders who have only small sums to speculate with. In view of the thin markets, dealers are making fairly wide quotations in some issues. Often enough, too, dealers emphasize that quotations are "nominal" and subject to quick changes because of the rapidly moving markets in some issues.

It is customary for dealers in puts and calls to clear their transactions through stock exchange firms and traders should be sure that the guaranty applies to their options.

The following are some recent quotations for 90 day puts and calls at the market, per 100 shares: U. S. Steel, puts $450 and calls $675; Bethlehem Steel, $625 and $875; Youngstown Sheet & Tube, $450 and $625; Atchison, $800 and $975; Southern Pacific, $475 and $525; Southern Railway, $475 and $525; New York Central, $300 and $375; Chrysler, $800 and $1050; American Car & Foundry, $500 and $525; General Motors, $425 and $500; Pepsi Cola, $325 and $375; International Telephone, $325 and $375; Radio Corporation, $175 and $212.50; American Cable and Radio, $175 and $200; Pan-American Airways, $275 and $300; Anaconda, $375 and $425; Paramount, $550 and $650; Warner Bros., 325 and $400; Sinclair Oil, $175 and $225; Pure Oil, $200 and $225; Consolidated Edison, $275 and $300.

Securities Considered Worthless Have Market Value of About $4,000

I am and have been for some time a regular subscriber to your publication. I have tried them all over the past 45 years and am free to state that there is nothing comparable to it for real worth.

I have fifteen Chicago & North Western Railroad 4¾% bonds of 1949 which in 1934 averaged me $371.00 per bond. I take it these are utterly worthless. Am I correct? Is it possible, if so, to dispose of them before the year end for tax purposes? Bonds have always treated me worse than stocks. Guess the reason is that I do my speculating in them.

—*M.W., Tampa, Fla.*

In June 1935, U. S. District Court at Chicago approved company's petition to reorganize under section 77 of the Bankruptcy Act.

In the reorganization of the Chicago & Northwestern Railway Company, new common stock in the amount of 6.34 shares were issued for each $1,000. of 20-year 4¾% Convertible Gold Bonds, Series "A," due November 1st, 1949 and accrued interest.

As you own fifteen bonds you are entitled to 95.10 shares of common stock. This equity is listed on the New York Stock Exchange and market price has advanced to recent figure of $43. a share. Therefore, your securities are now worth about $4089. instead of being worthless as you thought.

New securities were made available July 11th, 1944 at First National Bank, Chicago, and Bankers Trust Co., New York, exchange agents.

We suggest you present your old bonds for exchange into the new common stock at the Corporate Trust Department of either one of these banks. It would be best to write first for transmittal form before presenting your bonds.

Puget Sound Power & Light

Please advise the reason that Puget Sound & Light is not traded on the Curb and outlook for company.

—*S.L., Peoria, Ill.*

Puget Sound Power & Light was removed from listing on the New York Curb Exchange on December 29th, 1945 in view of pending public utility district proposal to acquire its properties.

(*Please turn to page* 606)

Keeping Abreast of Industrial and Company News

Having granted wage increases which will add $40 million a year to his payrolls, Henry Ford 2nd says that faith in America has warranted the risk, but that even "just a little" government price control will preclude a freely competitive mass production industry.

Looking ahead to more hopeful days when wage-price problems may become rationably settled, Chairman Irving S. Olds of United States Steel Corporation, says that his concern has available $250 million for expansion and other capital projects.

Not for eighteen months to come can industry expect to complete its full transition from a wartime economy to one of normal peacetime character, warns Geoffrey Baker, deputy administrator of the Office of Price Administration, a champion of continued price controls.

None the less, counters John D. Small, Civilian Production Administrator, work stoppages and too tight price controls are to blame for most of our current industrial ills. Prices should be made very flexible, he contends.

Fifteen million families in 1946 will have incomes above $2500, the level at which "Prosperity buying" commences, reports the Northwestern National Life Insurance Co. This is twice the number in these brackets during any prewar year.

B. W. Clark, vice-president of Westinghouse Electric Corporation, optimistically forecasts a great future for the electric appliance industry. Improved wiring in homes alone will cost above $215 million annually, he predicts, and demand for large and small appliances should exceed $2 billion per year.

Producers of air-conditioning equipment are likely to find substantial demand from the chain stores in 1946. According to a survey made by the Chain Store Age, these retailers plan to spend more than $20 million shortly for this kind of modernization.

Manufacturers of frictionless bearings do not confine production to small items, as is commonly supposed. Fact is that a single roller used in the bearings of a giant machine producing cold steel sheets weighs about 700 pounds.

Prospects for makers of farm machinery in 1946 certainly look bright to Roy C. Ingersoll, president of the steel division of Borg-Warner. Volume of this industry should reach a billion dollars this year, is his estimate.

Industrial expansion in the South is proceeding apace, spearheaded by the paper industry. Six large plants, costing about $10 million each, are planned by different large paper makers for location south of the Mason and Dixon Line.

The threat of huge stocks of secondary aluminum owned by the Government appears to be diminishing. The SPA now estimates disposable surplus of this material at 1 billion pounds rather than 2.5 billion pounds as announced six months ago.

To promote widespread industrial development of war-born radar, a joint Army-Navy committee has proposed formation of a non-profit corporation to license manufacturers under a broadly conceived patent pool.

According to an Associated Press report, each day of the steel strike prevents production of steel for 195,869 automobiles, or 2.3 million refrigerators, 5.3 million washing machines or 14 million typewriters, if it were possible to manufacture these quantities.

Arrival of a small shipment of sik from China, first since war began, is only a promise of what is to come. General McArthur has rounded up 343,200 pounds in Japan for shipment, and a still larger quantity will soon come from China.

Worry over uranium 235 as a coming competitor for coal and other fuels is likely to diminish in scanning recent official estimates of cost of producing the atomic wonder. $100,000 a pound is something to consider.

Latest project of dynamic Henry J. Kaiser is an inexpensive dish washing machine powered by water from the faucet rather than by electricity. 10,000 units per month is the hoped for early output of the Bristol, Pa. plant.

The Office of Rubber Reserve has released to manufacturers 8000 tons of crude rubber stored pending international price agreements. 20-1/4 cents a pound has been set for top grades, compared with 18-1/2 cents per pound average for synthetic rubber.

There seems to be no bottom to borrowing rates available for industry. Lane Bryant, Inc. is paying off from company funds balance of a $1.5 million loan at 3-3/4% not due an insurance company until 1956, and has an option to replace it by a bank loan at 2%.

Despite all the hullabaloo over surplus aluminum capacity, Aluminum Company of America announces plans to double the size of its facilities for producing aluminum foil during the current year.

California Packing Co. also intends to pay off a long term loan carried by an insurance company. This move will entirely clear up a loan of $7.5 million borrowed at 2-3/4% from the Mutual Life.

Foreign orders are swelling volume for Douglas Aircraft Co., Inc. Thirteen different countries have contracted for a total of sixty five transport planes worth more than $22 million, the largest order coming from France.

Aggressive retailers continue plans for new sales outlets, as in the case of R. H. Macy & Co., which has just bought a sizeable property in Brooklyn for erection of a modern branch store. This marks Macy's fourth bid for branch business.

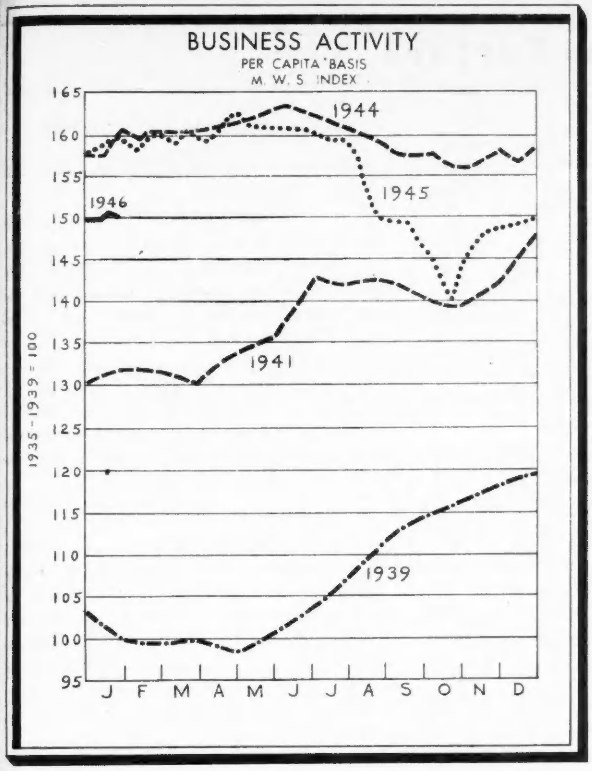
At a cost of some $3 million, Grayson Shops, Inc., Chicago, has purchased the forty year old business of S. Klein On The Square, Inc., a famous landmark on New York's Union Square. Grayson's total volume may now reach $40 million annually, as a result of the deal.

A new wave of stock split-ups has appeared on the docket. Elgin National Watch Co. at its annual meeting on March 27 will seek stockholder approval of a capital increase to permit a 2-1 split for the common shares.

On the same date as above, shareholders of Industrial Rayon Corporation will vote on a proposed increase in capitalization along with a split-up of present common holdings on a two for one basis.

Directors of Vick Chemical Corporation have approved a proposal to issue 2 million shares of $2.50 par stock, 2 shares of which would be distributed as a replacement of each share of $5 par stock presently outstanding.

Eversharp, Inc. has not only authorized payment of an extra dividend of 20 cents per share but also has announced plans for a 3-2 split-up on its common shares.



SUMMARY

MONEY AND CREDIT—Administration's misconceived and ill-timed plans to promote post-war inflation threaten disruption of our national economy and offer encouragement to Communist agitators who would transform our successful Democracy into some form of socialistic enslavement.

TRADE—Strikes thus far have had little influence upon department store sales which, in the week ended Jan. 26, were 17% ahead of last year, compared with a four-weeks' gain of only 11%.

INDUSTRY—First fortnight of the steel strike caused a drop of 1.6% in the nation's total volume of business activity, to a level 5.6% below last year at this time.

COMMODITIES — Spot and futures price indexes rise to new 25-year peaks under continuing excess of demand over supply. Farmers withhold grain in expectations of higher ceiling prices later, and resent inconveniences caused by labor-management strife.

The Business Analyst

Business Activity during the first fortnight of the industry-wide steel strike receded about 1.6% to a level 5.6% below last year at this time. For the month of January this publication's business index recovered to 162.4% of the 1935-9 average, from 161.8 in December; but was 4.7% under January of last year. On a per capita basis, our January index of business activity reached 149.8% of the 1935-9 average, compared with 148.9 in December and 159.1 for January, 945.

* *

Strikes have thus far had little influence upon **Department Store Sales** which, in the week ended Jan. 26, were 17% above last year, compared with a four-weeks' gain of only 11%. After all, less than 4% of the nation's total labor force is at present idle because of labor-management strife.

* *

A little exercise in simple arithmetic should make it clear that labor leaders who conduct long drawn out strikes for the ostensible purpose of forcing employers to grant wage increases of a few cents an hour must have something else at heart than the good of their membership. This ulterior goal can be only their own personal aggrandizement.

* *

Prior to the present steel strike, for example, workers were offered an increase of 15c an hour

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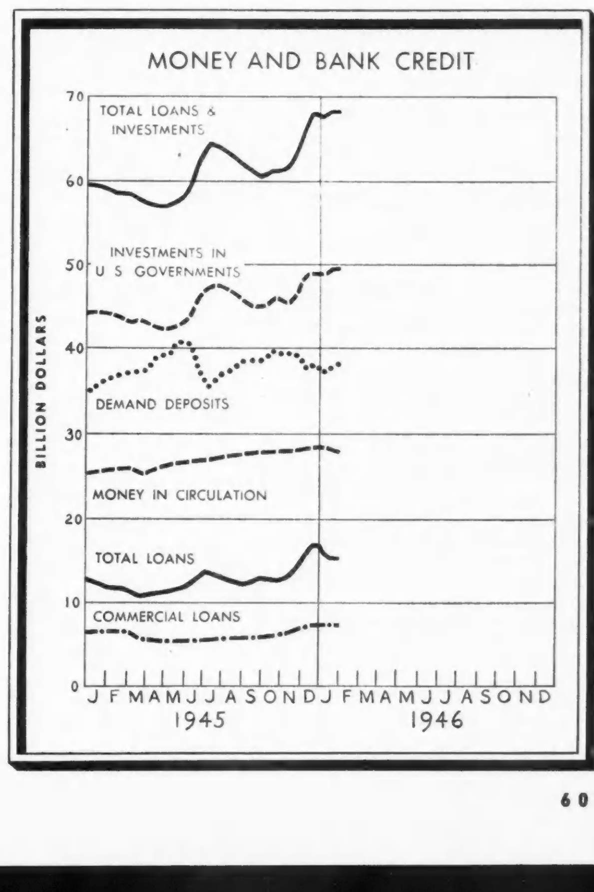


Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
MILITARY EXPENDITURE (tf) $b	Jan. 30	0.91	0.81	2.13	0.43
Cumulative from Mid-1940	Jan. 30	327.0	326.1	251.8	14.3
FEDERAL GROSS DEBT—$b	Jan. 30	278.6	278.0	232.2	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Jan. 30	38.0	38.0	36.1	24.3
Currency in Circulation	Jan. 30	27.9	28.0	25.3	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Jan. 30	7.58	7.60	6.78	3.92
100 Other Cities—$b	Jan. 30	8.44	8.45	8.35	5.57
INCOME PAYMENTS—$b (cd)	Nov.	13.05	13.53	13.25	8.11
Salaries & Wages (cd)	Nov.	8.53	8.67	9.51	5.56
Interest & Dividends (cd)	Nov.	0.54	0.87	0.51	0.55
Farm Marketing Income (ag)	Nov.	2.22	2.42	2.19	1.21
Includ'g Govt. Payments (ag)	Nov.	2.26	2.53	2.26	1.28
CIVILIAN EMPLOYMENT (cb)m	Dec.	53.3	53.4	52.2	52.6
Agricultural Employment (cb)	Dec.	7.2	8.4	7.6	8.9
Employees, Manufacturing (lb)	Dec.	11.9	11.9	15.6	13.6
Employees, Government (lb)	Dec.	5.5	5.6	6.2	4.5
UNEMPLOYMENT (cb) m	Dec.	1.9	1.7	0.6	3.4
FACTORY EMPLOYMENT (lb4)	Dec.	121	122	163	147
Durable Goods	Dec.	134	137	220	175
Non-Durable Goods	Dec.	111	110	119	123
FACTORY PAYROLLS (lb4)	Nov.	213	213	332	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Nov.	41.3	41.7	45.3	40.3
Hourly Wage (cents)	Nov.	99.0	98.5	103.5	78.1
Weekly Wage ($)	Nov.	40.89	41.04	46.85	31.79
PRICES—Wholesale (lb2)	Jan. 26	106.8	106.7	104.7	92.2
Retail (cdlb)	Nov.	142.2	141.8	139.0	116.1
COST OF LIVING (lb3)	Nov.	129.2	128.9	126.6	110.2
Food	Nov.	140.1	139.3	136.5	113.1
Clothing	Nov.	148.4	148.3	142.1	113.8
Rent	Nov.	108.3	108.3	108.2	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	Nov.	7.03	6.94	6.24	4.72
Durable Goods	Nov.	1.10	1.08	0.88	1.14
Non-Durable Goods	Nov.	5.93	5.86	5.36	3.58
Dep't Store Sales (mrb)	Nov.	0.75	0.68	0.67	0.40
Retail Sales Credit, End Mo. (rb2)	Nov.	2.63	2.43	2.44	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	Nov.	188	179	223	181
Durable Goods	Nov.	179	165	232	221
Non-Durable Goods	Nov.	193	188	218	157
Shipments (cd2)—Total	Nov.	204	205	273	183
Durable Goods	Nov.	208	206	374	220
Non-Durable Goods	Nov.	202	204	203	155
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	Nov.	27.6	27.5	27.6	26.7
Manufacturers'	Nov.	16.6	16.6	17.0	15.2
Wholesalers'	Nov.	4.2	4.1	4.0	4.6
Retailers'	Nov.	6.8	6.8	6.6	7.2
Dept. Store Stocks (rb)—1	Nov.	150	161	144	139

PRESENT POSITION AND OUTLOOK

(Continued from page 601)

which would bring their pay up to $1.29 an hour. The strike was called to force an additional 3½ cents an hour. Thus, assuming a 40-hour week, for every week the strike lasts, each worker loses $51.60. The additional 3½c would amount to $1.40 a week. If this 3½c is won by striking, it would take the strikers 37 weeks of work for each week they are out on strike to earn as much as they would have at the $1.29 rate without stopping work. If the strike lasts four weeks, it will take nearly three years to make up the loss in pay.

* * *

Mr. Reuther, "unselfish" leader of the U. A. W., says any settlement now will be regarded as only a down-payment, implying that other strikes for yet higher pay will be called later. Thus the U. A. W. stands committed to a series of money-losing strikes for its membership. It is estimated that current strikes are costing the 1,650,000 workers involved in the neighborhood of $13.5 million a day.

* * *

But this is not the full measure of **Strike Folly.** The average worker in the automobile industry, prior to the strike, was being paid at an annual rate of $2,554. The income tax on this pay, for a married man with two children would be $58. If he wins a 30% increase $766), his tax would increase $131. If workers in other industries, inspired by success of the U. A. W., should also gain 30% increases, **Living Costs** would eventually rise 20% to 25%. A 25% rise in living costs would take $634 from the purchasing power of the higher wages. This, added to the bigger tax bill, would leave the worker only $1 a year out of his 30% raise. These figures are based upon winning the raise without striking. If out only one day on strike, victory would leave the workers in the red.

* * *

Of course the C. I. O. leaders, who are not complete fools, know all this; but have been encouraged by certain social planners in Washington into portending that prices can be held down in the face of substantial general wage increases. Hence the demand that wage increases shall come out of profits. As the country will soon learn to its dismay, not even a totalitarian government (and we have not come to that yet) can defy economic laws.

* * *

The C. I. O. demand that prices shall not be raised to compensate for higher costs is tantamount to insisting that our system of free enterprise must give way to a communistic state capitalism. Private individuals will not invest their savings in new production facilities unless sufficiently attractive returns upon their investments are per-

PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—I—pc	Jan. 26	150.1	150.7	159.8	141.8
(M. W. S.)—I—np	Jan. 26	162.8	163.6	171.1	146.5
INDUSTRIAL PROD. (rb)—I—np	Dec.	164	168	232	174
Mining	Dec.	134	137	137	133
Durable Goods, Mfr.	Dec.	186	192	343	215
Non-Durable Goods, Mfr.	Dec.	156	158	173	141
CARLOADINGS—t—Total	Jan. 26	709	749	760	833
Manufactures & Miscellaneous	Jan. 26	290	329	373	379
Mdse. L. C. L.	Jan. 26	117	117	137	156
Grain	Jan.26	54	55	44	43
ELEC. POWER Output (K.w.H.) m	Jan. 26	4,040	4,145	4,577	3,267
SOFT COAL, Prod. (st) m	Jan. 26	12.3	12.9	11.7	10.8
Cumulative from Jan. 1	Jan. 26	45.3	33.0	46.4	446
Stocks, End Mo.	Dec.	45.7	48.9	57.2	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Jan. 26	4.6	4.6	4.6	4.1
Gasoline Stocks	Jan. 26	101.7	100.8	90.2	87.8
Fuel Oil Stocks	Jan. 26	39.7	40.6	50.8	94.1
Heating Oil Stocks	Jan. 26	29.5	31.4	32.7	54.8
LUMBER, Prod. (bd. ft.) m	Jan. 26	354	334	513	632
Stocks, End Mo. (bd. ft.) b	Dec.	2.9	3.2	3.3	12.6
STEEL INGOT PROD. (st.) m	Dec.	6.08	6.20	7.37	6.96
Cumulative from Jan. 1	Dec.	79.7	73.7	89.1	74.69
ENGINEERING CONSTRUCTION AWARDS (en) $m	Jan. 31	70.2	101.4	28.7	93.5
Cumulative from Jan. 1	Jan. 31	348	278	117	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Jan. 26	142	134	160	165
Waste Paper Stocks, End Mo. (st)t	Dec.	199	205	186	167
U. S. Newsprint Consumption (st)t	Dec.	317	332	284	342
Do., Stocks, End Mo.	Dec.	382	418	491	523
Wood Pulp Stocks, End Mo. (st)t	Nov.	69.3	65.7	65.6	98.5
Cigarettes, Domestic Sales—b	Dec.	16.1	25.4	17.8	17.1

PRESENT POSITION AND OUTLOOK

(Continued from page 602)

mitted. The C. I. O. not only demands that organized labor receive huge wage increases at the expense of non-organized workers, but also insists that the rate of return on investments shall be decreased to a point where private investors will refuse to supply new capital for enterprise.

* * *

This would compel the Government to supply capital from funds raised by taxation, bond sales, or more deficit financing. Bureaucratic operation of industry would be inefficient, unprogressive, and hence costly. The public, including organized labor, has nothing to gain and everything to lose by such an economic revolution.

* * *

As this is written, announcement of a revised price-wage formula is imminent. It is anticipated that this new formula will seek to compromise the need for relaxation in OPA ceilings by providing an arbitrary base upon which to compute price advances. That permissable increases will fully compensate for higher wages is questionable. With more and more manufacturers forced to curtail or suspend operations because of inability to obtain steel and other supplies, a workable means of breaking the log-jam of strikes cannot come too soon.

Ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't., Avge. Month. 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. I—Seasonably adjusted Index. 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Street, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, Instalment and Charge accounts. st—Short tons. t—Thousands. tf—Treasury and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

No. of Issues (1925 Close—100)	1946 Indexes High	Low	Jan. 26	Feb. 2
300 COMBINED AVERAGE	186.2	164.5	179.3	186.2Z
4 Agricultural Implements	232.5	204.9	223.2	232.5H
11 Aircraft (1927 Cl.—100)	284.4	247.4	270.6	284.4R
5 Air Lines (1934 Cl.—100)	1208.6	1135.3	1177.3	1135.3
5 Amusement	179.3	143.7	169.0	179.3Q
15 Automobile Accessories	336.2	290.0	319.9	336.2Z
11 Automobiles	62.1	55.2	60.2	62.1Q
3 Baking (1926 Cl.—100)	23.6	21.5	22.2	23.6H
3 Business Machines	323.5	296.8	317.9	323.5R
2 Bus Lines (1926 Cl.—100)	188.0	176.3	188.0	186.9
4 Chemicals	258.6	246.2	252.2	258.6R
4 Communication	99.7	94.0	95.2	99.7
13 Construction	76.8	67.9	72.7	76.8H
7 Containers	431.3	384.8	409.8	431.3Z
8 Copper and Brass	135.9	108.7	129.5	135.9H
2 Dairy Products	76.7	64.6	75.1	76.7P
5 Department Stores	101.6	89.7	98.2	101.6Z
5 Drugs and Toilet Articles	230.6	194.8	217.4	230.6
2 Finance Companies	293.7	268.9	277.2	293.7
7 Food Brands	225.3	205.5	215.6	225.3Z
2 Food Stores	78.6	73.8	76.8	78.5
3 Furniture	116.7	110.0	112.3	114.3
3 Gold Mining	1342.6	1175.6	1236.0	1342.6M

(Nov. 14, 1936, Cl.—100)	High	Low	Jan. 26	Feb. 2
100 HIGH PRICED STOCKS	106.63	99.94	104.49	106.63H
100 LOW PRICED STOCKS	247.31	202.59	233.80	247.31Y
6 Investment Trusts	81.6	71.3	79.6	81.6P
3 Liquor 1927 Cl.—100)	1185.8	1093.0	1145.6	1161.2
8 Machinery	206.4	190.5	199.9	206.4H
3 Mail Order	159.3	140.3	155.3	159.3Q
3 Meat Packing	123.1	112.8	115.1	123.1Z
13 Metals, non-Ferrous	296.2	232.1	271.1	296.2H
3 Paper	35.0	33.7	34.1	35.0P
23 Petroleum	191.6	186.8	186.9	191.6
20 Public Utilities	156.8	131.2	155.5	156.8P
5 Radio (1927 Cl.—100)	42.0	39.5	40.8	42.0P
8 Railroad Equipment	110.6	97.2	106.3	110.6H
22 Railroads	40.8	36.7	40.0	40.8H
2 Shipbuilding	156.1	122.5	138.9	156.1Z
3 Soft Drinks	606.0	569.0	603.7	601.5
12 Steel and Iron	144.7	119.1	131.7	144.7H
3 Sugar	87.7	75.7	85.5	87.7S
2 Sulphur	264.1	241.7	258.8	264.1Q
3 Textiles	160.0	126.7	160.0Z	152.2
3 Tires and Rubber	46.5	42.6	46.2	46.5R
5 Tobacco	96.1	91.2	96.1H	94.6
2 Variety Stores	356.7	318.5	344.9	356.7J
23 Unclassified (1944 Cl.—100)	113.6	98.2	109.0	113.6A

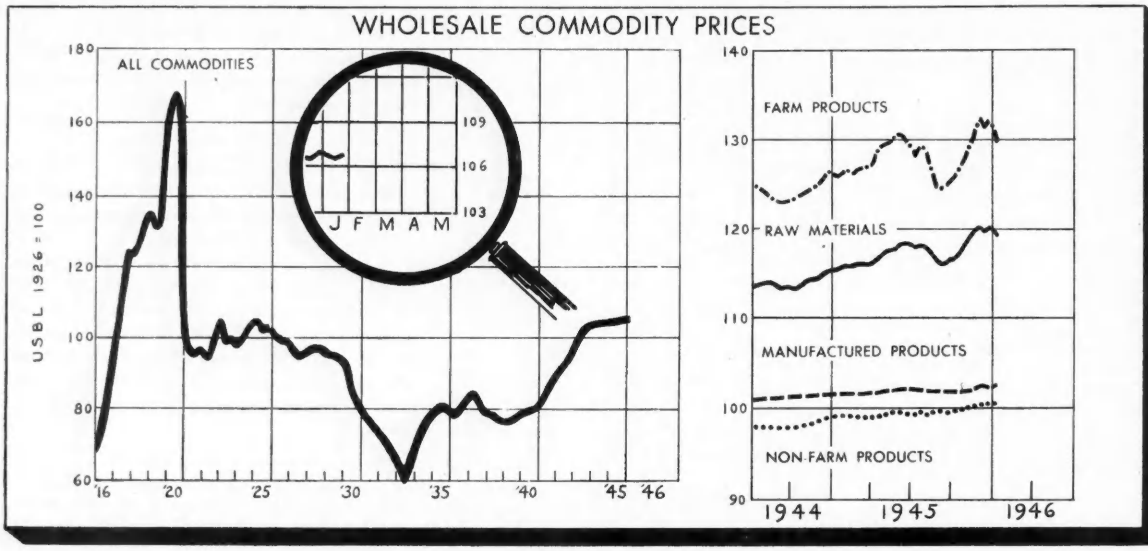
New HIGH since: A—1945; H—1937; J—1936; M—1933; P—1931; Q—1930; R—1929; S—1928; Y—Nov. 14, 1936.
Z—New all-time HIGH.

Trend of Commodities

Inflationary psychology has forced commodity prices slowly but steadily upward. Futures prices advanced to a new high last week, and to a point slightly above the broad resistance level of November and December. However, a further sharp advance in this index is not possible in the near future because most of the commodities are already wedged tightly against the ceiling. Ceiling prices on products will probably not be adjusted upward until the new crop season. Cotton is the only important agricultural commodity not subject to ceiling prices at the moment, but the release of CCC holdings will help to keep prices in line.

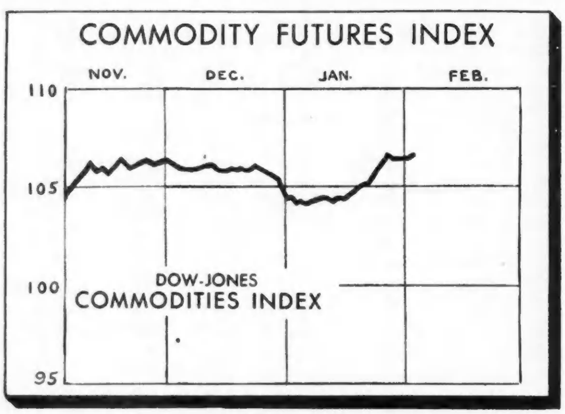
Spot market prices have advanced slightly since our last issue, but this does not give a true picture of the price level. Of the 28 commodities included in the Bureau of Labor Statistics Daily Index, 11 are import commodities. They have remained at the same level for more than six months. A glance at the chart on wholesale prices will show that we are now slightly above the level of 1922-25. There is no resistance level below the 1920 peak.

The Administration has not made up its mind whether mild inflation or deflation is to be feared. They are requesting an extension of the subsidy program beyond June. Some 190 million dollars was appropriated to prevent an advance in flour prices. At the same time they are contemplating the expenditure of 200 million dollars to prevent a decline in egg prices. Meanwhile the OPA is fighting a losing battle. The one thing which will prevent a sharp rise during 1946 is production and more production.



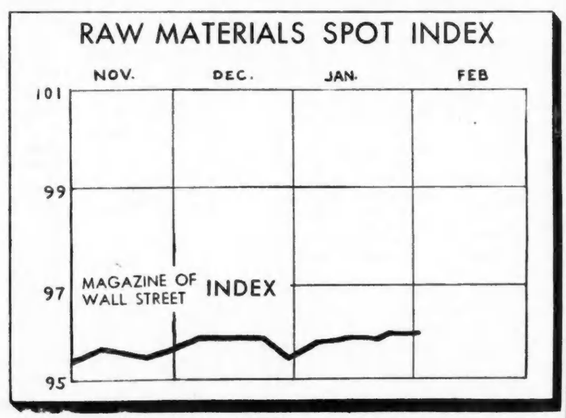
U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equal 100

	Date Feb. 2	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	187.4	187.4	187.1	186.4	183.6	183.4	156.9
11 Import Commodities	168.9	168.9	168.9	168.9	168.9	169.0	157.5
17 Domestic Commodities	200.5	200.4	199.8	198.6	193.7	193.3	156.6
7 Domestic Agricultural	234.7	234.5	232.9	231.3	226.8	224.9	163.9
12 Foodstuffs	213.3	213.6	212.8	211.6	208.8	208.7	169.2
16 Raw Industrials	169.9	169.7	169.7	169.3	166.5	166.3	148.2



Average 1924-36 equals 100

	1946	1945	1944	1943	1941	1939	1938	1937
High	106.65	106.41	98.13	96.57	84.60	64.67	54.95	82.44
Low	104.21	93.90	92.44	88.45	55.45	46.59	45.03	52.03

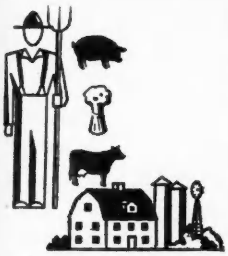


14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1946	1945	1944	1943	1941	1939	1938	1937
High	95.9	95.8	94.5	92.9	85.7	78.3	65.8	93.8
Low	95.5	93.6	91.8	89.3	74.3	61.6	57.5	64.7

COMMODITY HIGHLIGHTS



RYE: The outstanding movement in commodity prices in recent weeks has been in the May rye contract. On November 1 the May contract at Chicago sold at $1.56 a bushel. This past week it sold at $2.22, an advance of 68 cents a bushel. The sharp advance during this short period of time is due to the fact that this is the only grain contract which does not have a fixed ceiling. This, coupled with a tight supply situation, has given the speculators a fine opportunity to squeeze the shorts.

This movement should be reversed shortly, since a ceiling will go into effect on June 1 at $1.44½ and the Administration has intimated that trading in May rye should be restricted further or suspended. The catch is that the ceiling will not go into effect until a few days after the May contract expires. It is difficult to see why anyone should want to accept rye on delivery against the May contract at $2.22 a bushel, when a few days later this same cash rye will be worth only $1.44½ a bushel.

In spite of the sharp advance in prices since November the commercial stocks are slightly higher now than they were then. The deliverable stocks at Chicago are around 1,500,000 bushels, a very large quantity on which to take a loss of some 70 cents a bushel. We can expect a very exciting market in the next three months.

WHEAT: A year ago the American Bakers' Association sent post cards to members of Congress with the slogan—"Wheat, the only thing there is enough of —let's use it wisely." Apparently that advice was not taken, for they are again sending out cards. This time the word "is" has been changed to "was." The cards may receive more attention.

Two factors are responsible for the change in the picture, heavier farm feeding than the Administration had figured on, and an over-ambitious export relief program. As a result, there were only 690 million bushels of wheat stored in the country on January 1, compared with 835 million a year ago. What is worrying the Administration is that more than half of this wheat is stored on the farm and not readily available for export.

The Government has taken two steps to make more wheat available to mills. Wheat loans in 22 states have been called as of March 1, two months ahead of the expiration date. The method of figuring export prices has been changed so that the miller can now compete on a more favorable basis. Meanwhile, the Administration has announced drastic controls over the use and distribution of grains in an effort to meet a larger part of our export commitmets in the next five months. Steps may also be taken to curtail feeding by making it less profitable.

The millers, meanwhile, are assured of a subsidy through June and there is a good chance that the subsidy will be continued for one year. In spite of a dwindling supply of wheat there will be no shortage of flour in the United States.

CHICKENS & EGGS: Although most commodities are pressing against the ceiling, there are some which are in large supply. Among these are chickens and eggs. In spite of the extra demand for chickens during the recent meat packers' strike, the current cold storage stocks for chickens are the largest on record for this season of the year. The outlook is for an even larger supply in the next six months.

Eggs, which were in short supply just sixty days ago, are now literally flooding the market and the peak in production will not be reached until late April or Early May. Egg production currently is running about 55 per cent above the 10-year average. Farm flocks are about the same as a year ago, but the number of young pullets is some 25% higher.

The public, unfortunately, will not receive the full benefit of the lower prices we should witness in the next two months. The Department of Agriculture is all set to support prices at 90 per cent of parity. This means that the Government will purchase eggs at the equivalent of a national average of 29 cents a dozen on the farm. What the Government does with the millions of eggs it will purchase remains to be seen.

Answers to Inquiries

(*Continued from page* 598)

According to press reports a group of public utility districts in the State of Washington had made an offer to purchase properties of company at a price which would pay $18.00 a share to common stockholders. Company stated it was willing to submit the offer to stockholders.

Earnings for the 12 months ended November 30th, 1945 amounted to $1.62 a share compared with $2.05 in the corresponding period of the previous year. Recent quarterly dividend was reduced from 30c to 25c a share. The decline in 1945 earnings was attributed to increased federal income tax rates and to exhaustion of carry-over credits. Company is improving its finances and the present $1.00 annual dividend rate is safe.

Tax Cushions vs. Wage Increases

(Continued from page 569)

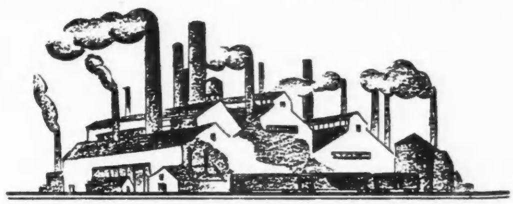
ernment in 1944, it would have been equal to an approximate 8.3% wage boost, or about half the increase now likely to be established. But this looking back over the shoulder is a very unreliable index upon which to base future predictions, because operations and earnings under the full stress of war production were one thing and under the most hopeful future conditions entirely different factors will be involved, not to mention the tremendous variance in individual company positions.

With the above reservations in mind, it is interesting to scan the income statements of a few large steel concerns for 1944, in the absence of more up-to-date records, if only to note their position as to EPT under circumstances prevailing at that time. Take Crucible Steel, for example. While figures bearing on the payroll for this company are not available, EPT payments in 1944 amounted to $16.4 million, equal to $36.93 per share on its common stock. But volume in that active war year was $184.5 million, in relation to which EPT was 8.9%. As previously pointed out, these facts do not signify that if peacetime volume reaches the same level, the tax cushion will amount to $16.4 million, for 38% of this amount would be taken by additional normal and surtaxes imposed. Theoretically, the tax savings might come to about $10 million. If Crucible's payroll amounted to say a third of sales volume, the general average for the industry, the tax savings with EPT eliminated would amount to about 16.6%, rather close to the approaching wage rise. But under unpredictable operating conditions, such an assumption would be more nearly wishful thinking.

Wide Variations

Variations in products, costs and degrees of diversification cause the rank and file of steel producers to view the prospective 18½ cents per hour wage boost with differing amounts of apprehension. Those concerns such as have been substantially in the EPT brackets, derive some warranted comfort in the possibility of potential tax relief to ease their mounting costs. Among these might be mentioned Allegheny Ludlum Steel, Inland, National, Wheeling, Youngstown Sheet and Tube, all of which may benefit from the elimination of EPT.

While it is not within the scope of this article to discuss the current battle over wages and prices as regards net earnings of the production, and volume and costs could be definitely determined rather than left to impossible guesswork, the wage question could have been easily settled with little loss to either labor or management. By the time the strikes are settled and the necessary lag in getting back to satisfactory production is overcome,



steel industry, it is pertinent to say that when the price structure becomes definitely settled, as is soon likely, the wage dispute will rapidly subside, and chances are that dependence upon tax relief will become a less important factor. Some specialized steel concerns may find it very difficult to adjust their operations successfully if they are obliged to accept the formula which will be established for Big Steel. Quite obviously, it has been a tragic mistake for Washington to permit, much less foster, a general wage rise at a time when all hands should have been racing to complete the transitional program. When industry had reached the point of all-out the tally of both wages and profits wasted so unwisely will be immense.

Despite these dismal certainties, however, optimism still runs high that with tax relief and higher prices, volume and profits of the industry during the last half of the year will soar, and that most units among the steel producers will find that the higher level of wages has not precluded earnings from reaching above-average proportions. This bet, though poorly timed, will be the basis of forthcoming Government action, and between faith and know-how, management is sure to make good on the prediction.

Backlog Investment Securities

(Continued from page 577)

bull market, moreover, would doubtless add to their current value.

While this discussion has presumed the desire of the investor to keep his capital as fully and effectively invested as possible, another alternative to the several suggested courses appears worthy of mention. That is the retention of some portion of capital funds in cash. Any investment portfolio worthy of the name would hardly be without securities which show a more or less substantial increment of value, as a consequence of the extended rise in the price of all classes of securities over the past four years. Regardless of the possible further rise in values, it would be a sound and practical idea to accept the profits which have accrued on portfolio issues, utilizing whatever portion of such profits is necessary to maintain income at the required level. In the long run the investor might well fare considerably better than would be the case if he were to hold such issues indefinitely.

The latter point is exemplified excellently in the recent case of Philip Morris shares. Following announcement of unexpectedly poor earnings in the final months of last year, accompanied by withdrawal of the company's proposed offering of new debentures and extending to subscribers of a recent issue of preferred the privilege of withdrawing their subscription, the company's shares declined some $16. Last year dividends totalled $2.25 a share. Theoretically, the decline wiped out an amount equal to or more than seven years' dividends. With the current earnings picture in

(Please turn to page 609)

The Magazine of Wall Street's
COMMON STOCK INDEX

1946 Grouping of the 300 Component Issues

H—Component of the 100 HIGH PRICED STOCKS Group (1945 Close above 42)
L—Component of the 100 LOW PRICED STOCKS Group (1945 Close below 22¾)

4—AGRICULTURAL IMPLEMENTS
- H—Deere
- H—Int. Harvester
- L—Minn.-Moline
- Oliver

11—AIRCRAFT
- L—Aviation Corp.
- Boeing
- Cons. Vultee
- L—Curtiss-Wright
- H—Douglas
- H—Grumman
- H—Lockheed
- Martin
- L—Nor. Am. Aviation
- L—Republic
- United Aircraft

6—AIR LINES
- H—Am. Air Lines
- Braniff
- H—E. Air Lines
- Pan American
- H—Trans. & West.
- H—United Air Lines

5—AMUSEMENT
- Loew's
- H—Paramount
- L—R.K.O.
- 20th Century
- Warner Bros.

15—AUTOMOBILE ACCESSORIES
- H—Bendix
- H—Borg
- H—Briggs
- Budd Mfg.
- Budd Wheel
- L—Cont. Motors
- H—Elec. Auto-Lite
- L—Hayes Mfg.
- L—Houd.-Hershey
- L—Hupp
- L—Martin-Perry
- L—Murray
- L—Stand. Stl. Springs
- Stewart-Warner
- H—Timken-Det. Axl.

11—AUTOMOBILES
- H—Chrysler
- H—General
- L—Graham-Paige
- Hudson
- H—Mack
- Nash
- L—Packard
- Reo
- Studebaker
- White
- L—Willys

3—BAKING
- L—Continental
- L—General
- Purity

3 BUSINESS MACHINES
- L—Burroughs
- Nat. Cash Reg.
- Rem. Rand

2—BUS LINES
- Greyhound
- L—Omnibus

4—CHEMICALS
- H—Allied
- Com. Solvents
- H—duPont
- H—Union Carbide

2—COAL MINING
- L—Lehigh C. & N.
- L—Lehigh Val. Coal

4—COMMUNICATION
- L—Am. Cable & Radio
- H—Am. Tel. & Tel.
- Int. Tel. & Tel.
- H—West. Union "A"

13—CONSTRUCTION
- L—Am. Rad. & S. S.
- L—Bucyrus-Erie
- L—Certain-teed
- Crane
- Flintkote
- H—Johns-Manville
- H—Lone Star Com.
- Nat. Gypsum
- L—Nat. Supply
- Otis Elevator
- L—Pittsburgh Screw
- H—U. S. Pipe
- L—Walworth

7—CONTAINERS
- H—Am. Can
- Container Corp
- H—Cont. Can
- H—Crown Cork
- L—Gair
- L—Nat. Can
- H—Owens-Ill.

8—COPPER & BRASS
- H—Anaconda
- L—Bridge. Brass
- L—Cal. & Hecla
- L—Cons. Copper
- L—Inspiration
- H—Kennecott
- L—Miami
- Phelps Dodge

2—DAIRY PRODUCTS
- H—Borden
- Nat. Dairy

5—DEPARTMENT STORES
- H—Allied Stores
- H—Ass. Dry Goods
- H—Gimbel Bros.
- H—Macy
- Marshall Field

5—DRUGS & TOILET ARTICLES
- H—Colgate
- L—Gillette Safety Raz.
- Sharpe & Dohme
- United Drug
- L—Zonite

2—FINANCE COMPANIES
- H—C. I. T.
- H—Com. Credit

7—FOOD BRANDS
- Best Foods
- H—Corn Products
- H—Gen. Foods
- L—Libby McNeill
- Nat. Biscuit
- H—Stand. Brands
- Stokely

2—FOOD STORES
- H—Kroger
- Safeway

3—FURNITURE
- Congoleum
- Servel
- H—Simmons

3—GOLD MINING
- L—Alaska Juneau
- Dome Mines
- H—Homestake

6—INVESTMENT TRUSTS
- L—Adams Express
- L—Adm. Internat.
- Atlas Corp.
- H—Lehman
- L—Transamerica
- L—Tri-Cont.

3—LIQUOR
- H—Distil.-Seagrams
- H—Nat. Distillers
- H—Schenley

8—MACHINERY
- H—Allis-Chalmers
- Am. Mach. & Fndry.
- H—Caterpillar
- Foster Wheeler
- H—Gen. Electric
- H—Timken R. B.
- Westinghouse Mfg.
- H—Worthington Pump

3—MAIL ORDER
- H—Montgomery Ward
- Sears, Roebuck
- L—Spiegel

3—Meat Packing
- L—Armour
- Swift & Co.
- L—Wilson

13—METALS, NON-FERROUS
- H—Am. Smelting
- L—Am. Zinc
- L—Callahan Zinc
- H—Cerro de Pasco
- Int. Nickel
- Nat. Lead
- L—Pacific Tin
- L—Park Utah
- L—Patino Mines
- H—St. Jo. Lead
- L—Silver King
- L—Sunshine
- Vanadium

3—PAPER
- Crown Zellerbach
- H—Int. Paper
- Union Bag

23—PETROLEUM
- Atlantic Ref.
- H—Barber Asphalt
- L—Barnsdall
- Cont. Oil
- L—Houston Oil
- Mid-Continent
- L—Ohio
- L—Panhandle P. & R.
- H—Phillips
- L—Pure Oil
- L—Richfield
- Shell Union
- L—Sinclair
- L—Socony
- H—S. O., Calif.
- S. O., Ind.
- H—S. O., N. J.
- L—Sunray
- H—Texas Co.
- L—Texas Gulf Prod.
- Texas Pac. C. & O.
- L—Tide Water Ass.
- Union Oil

20—PUBLIC UTILITIES
- Operating
- Commonwealth Edison
- Con. Edison
- Detroit Edison
- L—Florida Power
- L—Laclede Gas
- Pacific Gas
- Pub. Serv., N. J.
- So. Calif. Ed.
- Holding
- L—Am. & For. Pr.
- L—Am. Pr. & Lt.
- Am. Water Works
- L—Columbia Gas
- L—Commonwealth & So.
- L—Elec. Pr. & Lt.
- Engineer Pub. Serv.
- L—Int. Hyd. El. "A"
- L—Nat. Pr. & Lt.
- No. American
- L—Stone & Webster
- United Gas Imp.

5—RADIO
- L—Farnsworth
- H—Philco
- L—Radio Corp.
- L—Sparks-Withington
- Zenith

8—RAILROAD EQUIPMENT
- H—Am. Car & Fndry.
- Am. Locomotive
- Am. Stl. Fndries.
- Baldwin
- Pressed Stl. Car
- H—Pullman
- L—Symington-Gould
- Westinghouse A. B.

22—RAILROADS
- H—Atchison
- H—Atlantic Coast
- B. & O.
- L—Canadian Pac.
- H—C. & O.
- Chic. & N. W.
- Chic., Mil., St. P. & P.
- H—D. & H.
- L—D., L. & W.
- L—Erie
- H—Gt. Nor., Pfd.
- Gulf Mobile
- H—Ill. Cent.
- Kans. City So.
- L—Lehigh Valley
- L—M. K. T.
- N. Y. Central
- Nor. Pacific
- H—Pennsylvania
- H—So. Pac.
- H—So.Ry.
- H—U. P.

3—REALTY
- L—Equitable
- L—Gen. Realty
- L—U. S. Realty

2—SHIPBUILDING
- L—Elec. Boat
- L—N. Y. Shipbldg.

3—SOFT DRINKS
- H—Canada Dry
- H—Coca Cola
- Pepsi-Cola

12—STEEL & IRON
- Alleg.-Ludlum
- Am. Roll. Mill
- H—Beth. Steel
- Blaw-Knox
- H—Crucible
- L—Gt. Nor. Ore
- L—Interlake Iron
- Jones & Laugh.
- H—Nat. Stl.
- Republic Stl.
- H—U. S. Steel
- H—Youngstown S. & T.

3—SUGAR
- Am. Crystal
- Cuban-American
- West Indies

2—SULPHUR
- H—Freeport
- H—Texas Gulf

3—TEXTILES
- H—Am. Viscose
- Am. Woolen
- H—Celanese

3—TIRES & RUBBER
- H—Goodrich
- H—Goodyear
- H—U. S. Rubber

5—TOBACCO
- H—Am. Tobacco "B"
- H—Liggett & Myers "B"
- Lorillard
- Reynolds "B"
- L—Webster

2—VARIETY STORES
- Kresge (S. S.)
- H—Woolworth

18—UNCLASSIFIED
- Allied Mills
- Am. Type Founders
- H—Con. Insurance
- L—Curtis Publishing
- H—Eastman Kodak
- L—Gar Wood
- Glidden
- H—Libbey-Owens
- L—Marine Midland
- Newport Industries
- H—Procter & Gamble
- L—Savage Arms
- L—Shattuck (F. G.)
- L—So. Am. G. & P.
- Sperry
- L—Texas Pac. Ind. Tr.
- H—United Fruit
- L—U. S. Lines

Backlog Investment Securities

(*Continued from page* 607)
many major industrial sectors distorted by sharply higher costs, pricing difficulties and restricted supplies of raw materials and labor, current market prices may be called upon to adjust themselves to similar disappointing earnings results in an increasingly larger number. Earnings are the dominant force in determining stock prices and when they fall short of optimistic appraisals the resulting adjustment might have serious effects upon an investment portfolio. A policy at this time committed to partial investment and the diversion of a portion of capital to income, where it is feasible for the individual investor, has much to recommend it as a conservative means of safeguarding capital against a more substantial loss.

Accompanying this discussion is a list of selected bonds and preferred stocks which should prove worthwhile additions to investment portfolios at this time. The choice of these issues has been carefully made, giving primary emphasis to the factor of dependable income.

Today's Outlook for Paper Stocks

(*Continued from page* 589)
military cancellations, and with indications that over-all demands will expand by perhaps 15% during the current year. Aside from readjustments to convert output from the major wartime emphasis upon container products to more normal relationship with consumer demand for book paper, little changeover has been required from wartime activities.

Chief cloud on the horizon is a continuing scant supply of woodpulp, the basic material from which a very large percentage of all paper products is made, not to mention its wide usage for rayon and plastics.

Under normal conditions, domestic production of wood pulp is around 9 million tons annually and some 2 million tons additional are imported. Of foreign supplies, Scandinavian countries account for about 1.2 million tons of low cost sulphite pulp, the balance originating in Canada. In war years imports from Canada were boosted to over 1 million tons and none came in from across the Atlantic. While Sweden has been able to ship us about 600,000 tons late in 1945, she now threatens to divert her supplies to European countries willing to pay more than our price ceilings will permit. As labor shortages hamper domestic production, hope of an adequate supply rests mainly upon increased efficiency through mechanized logging and barking plus stimulated imports from Canada, both of which potentials hold substantial promise. Indeed, chances are strong that both production and sales of paper and board in 1946 may establish new high records and as tax relief will widen profit margins for most of the large concerns, net earnings should be highly satisfactory.

This encouraging outlook, however, applies only to well integrated concerns, as most of the larger ones in the industry fortunately are; those reliant upon supplies of imported pulp are likely to suffer a decided squeeze. Producers of paperboard enjoy bright prospects, for besides being the most important segment of the industry as to volume, increasing product popularity and newly developed uses combine to assure substantial growth.

Annual Revision of M.W.S. Common Stock Index

(*Continued from page* 575)
concerns, or are now listed under different names. Such changes are inevitable in this age of swift industrial evolution. A historically comprehensive index of transportation, for example, would have to include the stage coach, trolley car, sailing vessel, canal boat, steamship, steam railroad, airplane, and stratosphere rocket.

All these evolutionary and revolutionary changes in industry can be adequately measured by a market price index the continuity of which is maintained by the so-called "link-relative" method of construction. How this is done can be explained by a relatively simple example.

Suppose an index starts at 100, with 100 representative stocks. During the year these 100 stocks enjoy an average advance of 20%. The index at the end of the year would thus stand at 120. Next year there are 150 stocks, which have an average rise of 25%, on top of the previous year's 20%. The market's average advance for two years is thus 20% plus 25% of 120—namely 20% plus 30%, or 50%. Hence the index at the end of the second year would be 150. If there are 200 stocks in the index during the third year, and they decline an average of 20% during the year, the index at the end of the third year would be 80% of 150, namely 120.

Before writing this brief article we undertook to obtain an approximate check-up on its dependability by the following method: The average 1925 closing price of the 238 stocks in our 1926 index was $60.16 a share. The average 1945 closing price for the 300 stocks in our 1946 index, after compensation for stock dividends and split-ups during the past 20 years, was $112.75, which is 87.4% more than the $60.16. This would give a 1945 closing value of 187.4 for our Combined Average — which is quite a bit higher than the 166.1 actually computed by the link-relative method. The difference is doubtless accounted for by the not inconsiderable number of companies which were at one time or another included in our index during the past 20 years, and went bankrupt before they were removed from the list.

The complete tabulation of the common stocks comprising the 1946 index appears on page 608.

Bank Stocks in 1946

(*Continued from page* 571)

chases of automobiles, refrigerators, radios and household appliances to spur them on, numerous banks are now thoroughly prepared to reap their share of the harvest, as the business has decided profit potentials, compared with ordinary short term banking loans.

The approaching building boom, furthermore, will be a constructive factor in boosting bank earnings, as mortgage money provides a sound and profitable outlet for lendable funds. In co-operation with the Government, most banks are now fully geared to render maximum financial assistance to GI's struggling to erect homes for themselves, and these same banking facilities are of course available for all comers with proper financial resources.

Encouraging as the current position and outlook of the banks is, their expenses have expanded substantially in the past year, partly through salary increases and partly by swollen tax payments. In relation to deposit gains, however, such adverse factors appear relatively unimportant, as a rule. As it happens, few of the larger institutions are subject to excess profits taxes or have already used up their "carry back" privileges, so that tax relief in 1946 will generally prove to be a minor element.

Earningwise, while no spectacular profits can ever be expected, the banking business as conducted by the strong old institutions is notable for its stability of earning power; many instances could be cited where an unbroken dividend record extends back for a century or more, through a long string of panics and wars. The general upward trend of earnings in recent years, to be sure, has been partly attributable to large profit taking on securities held and recoveries from assets formerly considered of doubtful value, and from now on income from this source cannot be counted upon in similar degree —in fact probably will decline. On the other hand, the $41 billion dollar gain in total bank deposits during 1945, creating an all time high of $162 billion, establishes an impressive increase in lendable funds for profitable use.

Conservative policies during war years have held dividend disbursements to modest proportions in order to build up capital funds and to create sometimes huge reserves against unforeseeable losses. With a return of peacetime conditions, a trend towards more liberal treatment of shareholders has developed and is likely to become increasingly expressive.

Current yields obtainable upon the shares of the leading New York Banks average about 3.16% and the dividends are amply covered by earnings, in many cases several times over. Even where the yield falls below 3% it has considerable appeal in view of the relative safety factor. More significant, however, is the generally modest relationship of price to earnings, on the average far below the current price-earnings ratios of many industrial groups, and with less sound investment fundamentals than ban bank shares enjoy. Both from the viewpoint of well assured income and appreciation potentials, therefore, the bank stocks carry considerable appeal.

Around The World

(Continued from page 579)

37 per cent of the expenditures, leaving a deficit of some Fr 310 billion. M. Philip, the new Finance Minister, hopes to bring down the deficit by slashing the expenditures for the military and by other economies on one hand, and, on the other hand by the rigorous implementation of the capital levy to somewhere between 100 and 200 billion francs ($800 million to $1,600 million at the present rate of exchange).

All this means that the balanced budget in France is still far off and that purchasing power will continue to exceed the supply of goods. Moreover, there is a danger of the Government being tempted, in order to keep down prices and wages, to use the foreign exchange that the new American loan may create, not for the purchase of modern industrial equipment here, but for the importation of food and raw materials and for the defense of the franc. As a matter of fact, new industrial equipment may be difficult to get at present, because it is needed by Great Britain, Latin America and other countries. Thus the new loan may ease temporarily the pressure on the French balance of international payments and enable the maintenance of the franc at 119 to the dollar, but, as it was aptly expressed, may ultimately result in "the housecleaning being converted into a mere dusting of the furniture."

Meanwhile French industrial output has reached a level about twice as high as one year ago, but still some 30 to 40 per cent below the pre-war (1938) figure. The situation would be better were it not for deficiency in coal imports (domestic coal output is close to pre-war) and power shortage which in turn reflects severe drought conditions during the greater part of last year. The transportation situation has made much progress, but much still remains to be done in the reconditioning of rolling stock. Foreign trade has increased rapidly as the year has progressed, but the exports to non-Empire countries are still very low and import surpluses have ranged from $20 to $50 million a month, something that France cannot afford for too long a time.

Industrial Equipment and Latin American Inflation

Speaking at the New York Board of Trade meeting last month, Mr. B. S. Van Renselaer, former chief of the Brazilian section of the Foreign Economic administration, charged that little was being done about supplying the Latin American countries with the badly needed industrial equipment and manufactures in general. Latin America was promised industrial equipment last year at the Pan-American Conference in Mexico City as our aid to its war-to-peace adjustment. In practice, however, it has apparently had to take its turn, after some of the most pressing orders from domestic industries and from Europe have been filled. In some cases, even Latin American government orders could not be delivered on time. Unless we can help quickly, asserts Mr. Renselaer, there will be a crash in Brazil, and we may see a series of severe crises with much political unrest and with dire consequences in other Latin American nations."

Mr. Renselaer's point was well taken. Most of the Latin American countries have been suffering from serious inflationary conditions, brought about by a genuine shortage of manufactures which either could not be imported during the war or produced at home because of the inability to get the proper equipment from the belligerent countries. To stop the inflationary spiral from developing further, Latin American nations must either increase their imports of manufactured goods, including consumers' and semi-durable goods, or expand their local production of manufactures with the help of imported machinery. There is still plenty of room for the expansion of some of the older consumers' goods industries, especially where they are based on the locally produced raw materials and farm products, and for the introduction of new consumers' goods industries as well. A number of Latin American nations are also vitally interested, such as Brazil in the case of cotton textiles, in maintaining their position as exporters of manufactured goods. However, they can successfully compete in world markets only if they are provided with efficient, modern machinery which would enable them to reduce production costs.

What Mr. Renselaer failed to acknowledge, however, is that Latin American countries have been pursuing trade policies which make it seem doubtful that they are fully aware of inflationary dangers. They have lost no time since the end of the war in imposing import controls or in raising tariffs to protect some of the new industries which have no place in their economies. They have excluded imports of many available consumers' and semi-durable goods, although such imports may have helped to keep down prices.

With a few exceptions, we still continue to have the Latin American market for industrial equipment largely to ourselves. However, British competition is beginning to be felt in several lines. The present rate of all British exports to Latin America is approaching (on the basis of the first nine months in 1945) the $400 million level; the actual exports in 1944 were about $260 million. In comparison, the United States total exports to Latin America in 1944 were $1,055 million and the preliminary figure for 1945 is $1,250 million.

The postwar readjustment problems and the raising of import tariffs and the imposition of import controls by a number of Latin American countries during the last few months will probably be discussed at the special Pan-American conference that is to be held in Rio de Janeiro on March 15, although the primary object of the Conference is to decide upon the final draft of a hemisphere solidarity treaty. If not, then the matter will be taken up at the 15 nation Conference that is to discuss the State Department's draft for the ITO organization next Summer. Brazil and Cuba are the two Latin American countries invited to attend.

What's Ahead For Tobaccos?

(*Continued from page* 588)

peak levels. Further, the management has forecast that unless sales prices can be advanced, earnings for the 1947 fiscal year will be considerably less than for the current and past fiscal years.

Consumption of cigarettes during the war took a tremendous spurt, increasing more than 50 per cent since 1941 to an estimated 330 billion last year. Export shipments likewise gained substantially, exceeding the 1941 figure by fivefold. Inasmuch as these export gains represented principally shipments by the Government to overseas forces, it is to be anticipated that this year will witness a sizable drop in exports which however will be largely replaced by domestic gains, with the return of armed forces to this country.

Competitively there have been no significant shifts in the relative standing of the leading cigarette companies. The apparent line-up at the present time, according to an annual survey conducted by *Printers' Ink*, puts American Tobacco (Lucky Strike) in first place. R. J. Reynolds (Camel) and Liggett & Myers (Chesterfield) are almost neck-and-neck for second place, with the former having a slight edge. Philip Morris and Lorillard (Old Gold) are in fourth and fifth place respectively. Total cigarette production of Lorillard, however, was exceeded by that of Brown & Williamson (Raleigh and Kool).

During the war when leading brands of cigarettes virtually disappeared from civilian markets, many new brands put in an appearance and there was a marked revival in the "roll your own" type. Few, if any, of these brands will be available, or wanted, now that the favorites are again in plentiful supply, and they present no competitive threat.

In the cigar division, OPA price regulations in effect last year increased the margin of profit on low priced cigars and reduced it on the higher priced brands. Overall consumption increased some 5 per cent, although production gains were scored by the lower priced product, while that of the more expensive brands declined. Labor shortages were a problem, which this year may be eased somewhat, but under the keen competitive conditions which prevail among manufacturers, the advantage is with those companies with mechanized output.

The aggregate sales of snuff increased last year, but gains were not reflected in earnings, snuff manufacturers being subject to the same restrictions as the cigarette companies, viz., high costs and low ceiling prices for their finished product.

In all divisions of the tobacco industry, stockholders at best can expect continuation of payments at recent rates. Failure of OPA to take favorable action might even result in a lowering of the dividend by some companies. And even if OPA grants a higher price ceiling, dividend policies will for remain conservative because of the cash required to acquired and carry enlarged inventories.

Post War Prospects for Aircraft Manufacturers

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concern was late in getting back to a normal basis.

Between Government orders and domestic airlines' requirements leading producers seem likely to have substantial business for a considerable period. Military requirements remain uncertain, but indications point to adoption of a program calling for regular purchases.

Civilian orders are likely to reach record peacetime levels while airlines are extending their routes to all parts of the globe. Glenn L. Martin, for example, has booked exceptionally large orders for its new "202" high speed short-range transport designed especially for use on "feeder lines." Douglas has received substantial orders from principal transcontinental airlines for its large DC-4 and DC-6 transports, the former being a civilian replica of the Army Transport Command's famous C-54, which made such a fine record in the war. Lockheed's "Constellation" has taken high rank as a transport, while its jet-propelled "Shooting Star" appears to have reached a stage of development where it will bring in military orders.

Regardless of near-term prospects, it seems certain that the American aircraft industry's future — because it is so closely identified with national defense—is assured. The Government is duty-bound to see that the industry always is strong enough to turn to production of bombers, fighters, training ships, etc., to serve the nation at war.

Realistic Survey of Building Stocks

(*Continued from page* 583)

to stabilize the economy through settlement of wage-price disputes is of course anyone's guess, and until conditions become more normal the building industry along with many others must endure a period of marking time. Granted these difficulties evaporate in a matter of weeks or a few months, easing of the supply situation will take correspondingly longer time than expected, thus hampering operations perhaps for a good many months ahead. Glowing Government estimates that construction in 1946 would soar 50% above 1945 or that 600,000 or 700,000 homes will be built this year, rising to perhaps 1 million in 1947, have been widely confirmed by many experts in the industry. Such estimates, however, were largely based upon clearly indicated demand and the normal capacity of the industry to meet it. In the light of current conditions, though, a survey conducted by Minneapolis-Honeywell Regulator Co. shows that the probable number of homes built in 1946 may not exceed 300,000 merely because of inadequate supplies of raw materials. In like manner this same source discounts estimates made by Washington covering home building in 1947, the feeling of this experienced concern being that while all hands agree that eventually some 7 million homes must and will be built, peak construction will not be reached for nearly four years yet and that during the next two years current estimates of home building must be revised downward.

Whatever happens to establish or discredit these conflicting prophecies, fact is that compared with last year 1946 is likely to show substantial improvement and that for perhaps ten years to come further consistent gains may be expected unless unpredictable economic conditions arise to "upset the applecart." Of all our numerous industries none more than the building industry is in better shape to tackle the huge job ahead. Finances generally are in splendid shape, labor disputes involving many concerns have already been amicably settled on term contract basis and sales potentials are huge. Competition will be intense, of course, but if volume can be maintained at high levels, profit margins should be satisfactory, although earnings are not likely to become spectacular. With prospects of an over-all volume topping $12 billion annually after the transitional period there should be plenty of business to keep most concerns in the industry working overtime perhaps and for an extended period.

To speak of the building industry as a unit sorely taxes the imagination for its segments have widely different character, and each has its individual problems and opportunities. All the major divisions enjoy above-average prospects for prosperity when the building boom becomes realistic and some of them already reflect the stimulation of repair activities, an important factor in building up volume. During war years upkeep of all kinds of property was allowed to slip, so that restoration on a broad scale has become an urgent necessity. Before undertaking new building, therefore, owners of farms and suburban residences are busily engaged in painting, re-roofing homes and buildings, or in replacing worn out concrete floors and sidewalks. Materials for this work are in more ample supply than metals, lumber and fabricated items, so that suppliers feel only a minor lag under current conditions.

Makers of plumbing and heating equipment naturally will find ready buyers for their modernized products as building gets under way on a large scale. Replacements long deferred will supplement requirements of new construction, and many home owners are now financially able for the first time to install modern conveniences in the plumbing line. Again—when and as the boom materializes this branch of the industry should prosper.

Marketwise, shares prices of most strong concerns in the building industry have advanced to a point where current yields are unattractive and price-earnings ratios are relatively high. Both medium term and longer range potentials, accordingly, have been liberally discounted in most cases, but if a market recession should occur the building shares carry sound appeal.

Appraisal of Air Transport

(*Continued from page* 587)

dend stability. The younger growing companies whose stocks still appeal to the speculator rather than to the investor may prefer to conserve cash and strengthen working capital. In these cases, dividend distributions are comparatively unimportant to holders interested primarily in capital gain. The newer companies which thus far have been unable to demonstrate earning power probably will defer dividends until the future when working capital needs are not so urgent.

To identify all the companies undertaking expansion this year would be to enumerate virtually every individual line. The industry is approaching rapidly a dynamic phase of its spectacular growth. Even though caution dictates a conservative forecast of earnings, it is apparent that the stock market has registered its enthusiastic expectations of unprecedented possibilities in a dynamic and growing industry.

As I See It

(*Continued from page* 561)

their party to office either in the city, state or federal governments. There is a fight on in New York City now to put over Johannes Steele, leftist radio commentator, who can always be counted on to present the Russian party line on every issue.

We of this generation will not live forever. We have our children to think of and we must leave a decent heritage to those who come after us,—a heritage of freedom both personal and economic,—a freedom which is their inalienable right as children of our Father.

The world cannot go back a thousand years to the barbaric age of Ghengis Khan, which Stalin seeks to emulate, without affecting the lives of future generations and bringing back the dark ages, with its degradation for all mankind.

The present Russian regime should be set back on its heels, and by every means possible we should appeal directly to the people of Russia, who have learned much as a result of their contact with the people of other lands since the war.

I am sure, with proper encouragement from us, that they would be ready to throw off the tyrant's yoke and strike out for freedom.

INFORMATION for INVESTORS

On request on your letterhead, but without obligation, any of the circulars listed below will be sent direct from the issuing firm. ***Limit each letter to a request for one circular,*** giving your name and address.

ADDRESS: Information for Investors Department—Magazine of Wall Street, 90 Broad Street, New York 4, N. Y.

Expansion Ahead for the Building Industries—Forty page survey issued by large N.Y.S.E. firm.

Primer for Investors—Guide book for new investors to explain the terminology of Wall Street. Also a section devoted to estates, trusts and wills. Prepared by large N.Y.S.E. member firm.

Know-As-You-Go Guide—Descriptive leaflet of the Handy Record Book for investors, providing a simplified record of capital gains and losses. Method outlined to keep investment records in "automatic" order.

National Biscuit Company—Circular prepared by N.Y.S.E. member firm.

Rights—Warrants—Scrip—Member firm N.Y.S.E. has available complete information on these matters.

Answers to Insurance Inquiries

(*Continued from page* 593)

If you elect the refund type of annuity you may select a beneficiary or beneficiaries to receive any funds which might become payable under the refund contract.

In addition, the government provides favorable income tax consideration for annuities and income from annuity contracts is generally exempt but only to the extent that the income exceeds 3% of the cost of the contract. Hence, 3% of $20,000 which is the cost of the contract would be includable as income subject to personal income tax. The balance would be exempt until such time that the total of exempted income received has equaled the premium paid for the annuity.

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